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## NEWS SUMMARY

### GENERAL

## London letter bombs warning

The delivery of two letter bombs in London yesterday led police to warn that they might be the start of another explosive-mail campaign and to counsel extreme caution with any suspicious post.

Both devices were posted in Dublin where, last night, theories about their originators ranged from the Proust to the discredited IRA "freelancers." No one has yet claimed responsibility.

The bombs, both concealed in hollowed-out paperback books, inflicted minor injuries on Lady Onslow, 60, at her Kensington home and on a 30-year-old secretary at Alcan Aluminium in Mayfair.

In 1973, Lady Onslow acted as a contact between self-styled spy Kenneth Littlejohn and the British Government. Alcan's Irish connection appeared to be its recently announced plans for a £100m. plant in the Republic. A full alert security operation was initiated at the Old Bailey yesterday for the start to-day of the trial of three Irishmen and a teenage girl accused of last October's Guildford pub bombings in which five died.

## 11 charged after Yard raids

Scotland Yard said last night that eight men had been charged with conspiracy to defraud the Royal Insurance Company of £153,369. Two others were charged under the Firearms and Explosives Act 1969, another for dishonestly handling previous stones. The charges follow arrests yesterday of week-end raids on homes in East Anglia and London. Ten will appear in court in Great Yarmouth to-day.

## Maudling to stay

Mr. Reginald Maudling, "shadow" Foreign Secretary, said yesterday he would not resign because of references to his name in the Malta corruption proceedings involving the former Foulton empire. He was surprised his name had been mentioned at the trial and said he had had no approaches from the Maltese authorities. He confirmed he was interviewed recently by police officers investigating the Foulton affair.

## Girls freed

Two fearful English schoolgirls, Teresa Laws and Lynn Francis, were set free and told to go home to school by a Nairobi magistrate yesterday. He had found them guilty of currency-evasion offences but he blamed their mothers, with whom they were reunited, for allowing them to fall into the hands of the plotters.

## Jensen 'broke'

Another famous British quality car marque went into receivership yesterday. Jensen Motors chairman Mr. Kjell Qvale blamed inflation, the oil crisis, labour trouble and exhausted and safety legislation. Back Page, Page 8

## Olympics on TV

Settlement of the dispute over payment for rights means that Britain will get its promised 170 hours of TV coverage of the 1976 Montreal Olympics. Page 8

## People and places

A runaway train careered downhill killing three people and injuring six others in Lisbon yesterday. Jensen Motors chairman Mr. Kjell Qvale blamed inflation, the oil crisis, labour trouble and exhausted and safety legislation. Back Page, Page 8

## People and places

Raiders who drove a car into the window of a Natwest bank in Waltham Cross, Essex, got away with £10,000. Leicestershire won the County Cricket championship for the first time.

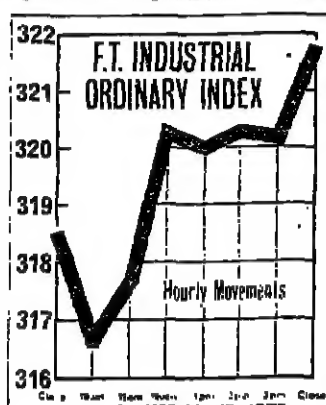
## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)		
<b>RISES</b>		
Treasury 12½ 1995 1961	+ 4	
Alexanders Discount	+ 12	
BBA Group	+ 3	
Babcock & Wilcox	+ 4	
Booth	+ 3	
Booth & Loxley	+ 3	
Booth	+ 3	
DRG	+ 10	
Guardian Royal Ex.	+ 10	
Highland Distillers	+ 4	
Hoffmann (S.)	+ 1	
Howard Machinery	+ 4	
ICI	+ 2	
Latham (James)	+ 2	
Lloyds Bank	+ 2	
Nairn & Williamson	+ 8	
News International	+ 10	
Pittsburgh	+ 2	
<b>FALLS</b>		
Appleyard	- 2	
Furness Withy	- 2	
Low & Bonar	- 1	
Reynolds Parsons	- 3	
Sunley (Bernard)	- 2	
United Biscuits	- 3	
White Child & Beney	- 3	
Wood Hall Trust	- 2	
Gold Mrs. Kallanor	- 5	
Hampton Areas	- 8	
Unkbridge	- 6	

### BUSINESS

## Equities rise 3.3: gilts improve

EQUITIES shook off uncertainty prompted by the steel strike threat, and occasional buying left final quotations a little better.



The FT 30-share index closed 3.3 higher at 321.8. Trading was extremely quiet.

GILTS rose when a relatively small demand found the market. Short-term gilts gained 1, while long-term gilts rose 1.5.

GOLD gained 5s in quiet trading to close at \$148.1.

STERLING lost 10 points to \$2.1060. Its weighted depreciation was unchanged at 27.1 per cent. The dollar's fall narrowed to 2.49 (2.52) per cent.

WALL STREET closed 6.10 lower at 803.19 in the slowest trading since November because of the Yom Kippur holiday.

U.S. manufacturing and trade stocks fell 88.80m. in July, considerably more than the June decline of \$425m. This suggests there is still no end to the de-stocking which has dragged down the U.S. economy all year, writes Paul Lewis. Page 5

FRENCH TAX on Italian wine imports is illegal under the Treaty of Rome and must be removed at once, the European Commission has ruled. Back Page

## P.O. cuts may mean 20,000 redundancies

POST OFFICE telephone equipment orders may have to be cut more severely than has been feared, and 20,000 jobs could be lost. Back Page

BANK OF ENGLAND is to provide £3m. to the liquidator of the failed British Bank of Commerce as part of an agreement designed to maximise the assets of the bank available to creditors, who include major U.K. and U.S. banks. Back Page

MR. IAN MACGREGOR, Scottish-born chief executive of American Metal Climax, is expected to become a non-executive director of British Leyland. It seems it was suggested he might take over as chairman, but his main job until his retirement in two years will remain with Amox. Men and Masters. Page 18

## COMPANY RESULTS

ROLLS-ROYCE MOTOR Holdings first-half profits have risen by £488,000 to £1.6m. Indications are that the full year could better the £4.5m. achieved in 1974. Page 21 and Lex

UNITED BISCUITS (Holdings) half-year sales rose by 6.9m. to £21.5m. and pre-tax profits have increased by £3.8m. to £5.2m. Page 21 and Lex

UNION CRIMQUE BELGE first half group pre-tax figures show a downturn to a loss of £1.1m. (£1.14m.) from a profit of £1.1m. (£1.14m.). The chief black spot was British Steel Corporation to a halt by the end of the week.

He has arranged talks for to-day with Mr. Hector Smith, general secretary of the National Union of Blastfurnacemen, whose members throughout the country are threatening to come out in support of more than 400 colleagues on strike from the BSC's Llanwern, South Wales, plant.

Mr. Murray, who has already had contacts with leaders of other steel industry unions and with the BSC itself, is expected to put more pressure on Mr. Smith to lift the strike and take to arbitration the thorny issue of pay rates for manning a new generation of furnaces being introduced at Llanwern.

# Tories will trim Welfare State, says Mrs. Thatcher

BY JOHN BOURNE, LOBBY EDITOR

The next Tory Government would seek to trim the provisions of the Welfare State, and reverse the trend towards redistribution of wealth and incomes, Mrs. Margaret Thatcher, Conservative Party Leader, said in a major speech due to be delivered in New York last night.

"Government must limit its responsibility where their scope and scale hampers profits, investment, innovation and future growth. It must temper what may be socially desirable with what is economically reasonable," Mrs. Thatcher was due to tell the Institute of Socio-Economic Studies.

The British Government must strike a proper balance between the growing demands and powers of the State and the vital role of private enterprise. This was by far the best method of harnessing the energy and ambition of the individual to increasing the wealth of the nation, pioneering new products and technologies, holding down prices, pioneering the mechanism of competition, and widening the range of choice of goods, services and jobs.

The ideas of the "progressive" consensus about the provision of social welfare and redistribution of wealth in Britain were being questioned right across the political spectrum, the speech added. "It is not that our people are suddenly reverting to the ideals of total laissez-faire, or rejecting the social advances of recent decades."

Constructive "Rather, they are reviving a sober and constructive interest in the noble ideals of personal responsibility, because in some respects the concepts of social

responsibility have turned sour in practice. "Our people are making an attempt to identify and eliminate errors and fallacies, to consolidate and retrench before advancing."

"The persistent expansion of the role of the State and relentless pursuit of equality has and is causing damage to our economy in a variety of ways. It is not the sole cause of what some have termed 'the British sickness' but it is a major one."

Research had shown that after tax incomes distribution in 1973 in Britain—1 per cent. of the top earners receiving 4 per cent. of incomes with the top 10 per cent. having twice the average and the bottom 10 per cent. a bit under half—"surprisingly similar to Poland."

The share of the top 1 per cent. of earners had been halved between 1953 and 1949 and fallen by a further third by 1973.

Capital assets of the top 1 per cent. of the population had dropped from 69 per cent. of total wealth in 1911 to 28 per cent. in 1973, the speech added.

"The rich are getting poorer: the poor are getting richer." A recent opinion poll had shown there was little spontaneous demand in Britain for redistribution of earnings across broad occupational categories, and that such redistribution would not ease the pressure for more pay.

For Northern Ireland. Once their conflicting views have been presented to the Convention, the Assembly's chairman, Sir Robert Lowry, will together with his staff, draft a balanced report to Westminster reflecting them all.

It is expected that to-morrow's session of the Convention will also vote an adjournment of next week, with the likelihood that the parties will later opt for further adjournments to allow them time to draw up reports.

The chances, therefore, of the Convention meeting on November 8 deadline for reporting seem remote and Northern Ireland Secretary, Mr. Merlyn Rees, will not be asked to extend the Assembly's life by a further three months.

The idea of a "chairman's report" was strongly urged last week by the Unionist coalition, avoiding a UUCU decision by way to avoid all-out civil war in the province. But his decision to press ahead with his moderate solution is being seen as a face-saving move rather than a serious political effort.

That Mr. Craig has returned to his Party's leadership within the Convention suggests that during the coming months he will unobtrusively fall back in line with the Vanguard Party's traditional brand of militant loyalism. In the meantime, Dr. Paisley has now established himself as the Unionist three-party coalition's most influential figure.

## Murray in steel peace move

BY ROY ROGERS, LABOUR CORRESPONDENT

MR. LEX MURRAY, the TUC general secretary, last night intervened in the blastfurnacemen's pay dispute, which threatens to bring much of the British steel Corporation to a halt by the end of the week.

He has arranged talks for to-day with Mr. Hector Smith, general secretary of the National Union of Blastfurnacemen, whose members throughout the country are threatening to come out in support of more than 400 colleagues on strike from the BSC's Llanwern, South Wales, plant.

Mr. Murray, who has already had contacts with leaders of other steel industry unions and with the BSC itself, is expected to put more pressure on Mr. Smith to lift the strike and take to arbitration the thorny issue of pay rates for manning a new generation of furnaces being introduced at Llanwern.

Top officials of the independent Advisory Conciliation and Arbitration Service yesterday had separate "exploratory" discussions with Mr. Smith and with Mr. Henry Jones, BSC director responsible for industrial relations, and may decide to try to bring the two sides together.

Meanwhile the BSC has begun running down its production and taking steps to import steel supplies from Europe, especially for the motor industry, where steel stocks have been allowed to dwindle.

The first lay-offs, some 3,500, will come later this week at Llanwern where all production of iron and steel is at a standstill and hot rolling has also been halted as a result of the blastfurnacemen's refusal to work the new Number Three furnace.

They have rejected BSC's offer of immediate increases of up to 210 a week which management maintains will be worth up to 210 a week when the furnace—on full capacity—is brought to full capacity of 5,000 tonnes a day by which time top earnings will be just over £100 a week. The union disputes these claims and argues that the Corporation is offering only 53 a week on basic rates while cutting manning levels by 30 per cent. and doing away with an existing bonus system which could have meant earnings of up to £120 a week.

Negotiations have dragged on since June 1974 and included trips to Japan by both sides of the industry to see similar large furnaces in action. But after

## Retail sales stay at low level

By William Keegan, Economics Correspondent

RETAIL SALES during July and August fell 5 per cent. below the average level for the first half of this year. This confirmation of the effects of the deepening U.K. recession and the squeeze on consumers' real incomes came yesterday from the Department of Industry.

It was already known that the volume index of retail sales—which accounts for nearly half of consumer spending—was down to 104.7 by July (base year 1971=100 seasonally adjusted).

Now, the Department of Industry's index for August shows that, at 105 (provisional estimate) the volume index was little changed from the July level.

This means that sales in August were running 6 per cent. below the level of August 1974, and that in July and August together they averaged 5 per cent. down on the average level in January-June this year.

In value terms—that is, including the effects of inflation—the rate of increase has come down from 20 per cent. between June 1974 and June 1975, to 19 per cent. (July to July) and 17 per cent. (August to August). It may be that the extra-ordinarily good weather this summer distorted the seasonal adjustments. Even so, the recent pattern of retail sales suggests that they are running below what most forecasters, including the Government, envisaged earlier this year.

Retail sales have been hit by the fact that prices have been catching up on increases in take-home pay—as measured by the official earnings statistics—even though wage rates and wage settlements were rising space right until the Government unveiled its incomes policy in July. There was the further effect of the Government's tax increases.

The mere announcement of the 58 limit may have had a psychological effect on consumers' spending plans in July and August. And so far, the evidence points to the view that in the recession people have not drawn significantly on their savings, or saved less out of income.

These factors add up to a fairly consistent picture, and their influence has hardly been offset by the depressed state of consumer demand for loans from banks or hire purchase companies.

Insofar as the consumer spending picture is even more depressed than the Chancellor and his advisers expected at the time of the Budget, the Chancellor's revenue from indirect taxes levied on spending will be that much less, and the Government's borrowing requirements more.

Editorial Comment, Page 18

## Egypt/PLO split looms over hostages

BY RICHARD JOHNS

PRESIDENT Sadat's Government yesterday charged the Palestine Liberation Organisation and Mr. Yasser Arafat, its chairman with responsibility for the lives of the three diplomats held hostage in the Egyptian Embassy in Madrid by four terrorists.

In the first-though not unexpected—violent challenge by Palestinians against the Sinai disengagement agreement with Israel concluded earlier this month, the gunmen threatened to kill the hostages unless the Egyptian delegation drafting the implementing agreements left Geneva by midnight.

Last night the Iraqi Ambassador who—along with his Libyan, Algerian and Kuwaiti colleagues—had been negotiating with the Palestinian extremists said that they had agreed to fly from Madrid with their hostages on an Algerian aircraft which was on its way to Spain. The envoys' fate remained uncertain, but the day-long drama in Madrid graphically highlighted Arab divisions over the Sinai accord.

In a previously scheduled TV and radio broadcast, President Sadat spelt out Egypt's commitment to honour the terms of the disengagement agreement. In contrast, Mr. Arafat, in an interview with a Kuwaiti newspaper, asserted, "The pledge to refrain from the use of force by Egypt and Israel places obstacles tantamount to depriving future generations of the chance of victory."

Reacting to the terrorists' demand with a strong statement which implicitly threatened an open split between Cairo and the resistance movement, Egypt had earlier called upon the PLO and "all responsible Palestinians" to take "decisive measures" to secure the immediate release of Mr. Mahmoud Abdel Chafar, Egyptian Ambassador in Madrid, Mr. Mohammed al Shafiq Mekki, the Consul, and Mr. Mohammed al Agha, the press attaché.

In Beirut, the PLO, which Continued on Back Page

Roger Matthews reports from Madrid: Tense negotiations for the safe release of the Egyptian Ambassador and his colleagues continued late into this evening. The Ambassadors of Iraq, Libya, Algeria and Kuwait conducted negotiations by loud hailer, through the booby-trapped door of the embassy, which is on the first floor of an eight-storey office and apartment block.

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# THE FASTEST TRUCK ON TWO LEGS.

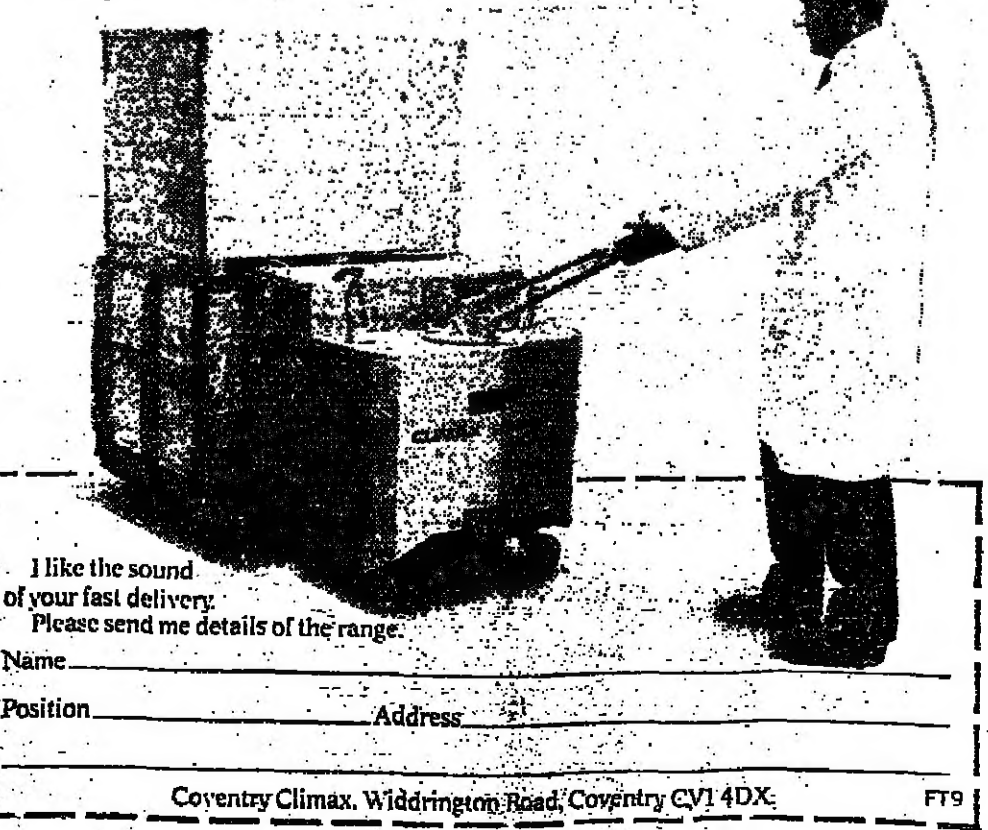
If you want a pedestrian truck the chances are you want it fast.

If you choose a Climax Steinbock Electric truck, you can have it in within days.

The range is available in both high or low lift versions.

They offer you the usual Climax service and spares back up.

And you can buy them on HP or lease them if you prefer. It's enough to sweep you off your feet.



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# Probing cost of Bank's role

BY C. GORDON TETHER

THE BANK of England's decision to identify itself in its June bulletin with the conventional wisdom that union wage claims would have to be subject to more stringent control if the inflation problem was to be reduced to manageable proportions attracted criticism in Labour Party circles—mainly on the grounds that it constituted an unwarranted intrusion by the central bank into the political arena. It has also come under attack from a very different quarter—the Bankers—and for a very different reason.

There is no objection there to the Old Lady expressing a point of view. But what she is entitled to do, the Bankers argue, is to ignore the alternative view "sincerely held by a number of people who are not fools." And having pointed out that this is that, while strong unions may alter the distribution of money incomes, they cannot determine their overall level. It suggests that before Threadneedle Street indulges in any further pontification on these questions, the Governor should institute a searching inquiry inside his establishment "about the foundations of its economic thinking."

The logic is unassailable. Now that the relationship between economics and finance on the one hand and politics on the other is crucial, to prohibit the Bank from reaching on political issues would effectively be to stop it expressing any meaningful views at all. So if it is to avoid leaving itself open to the charge of engaging in political partisanship, it must be apparent that it is doing its thinking in appropriate depth.

## Most hallowed

And the process must not be confined to the subject that happens to have attracted the Bank's attention—the Bank's alleged disinclination to place sufficient weight on the role of monetary influences in the battle against inflation—though that is obviously important. It is essential that the "searching inquiry" should extend to the foundations of the Bank's thinking on the other major sectors of the nation's economic and financial life with which it is particularly concerned.

Above all, it should be prepared to make a thorough re-examination of its approach to the most hallowed of its sacred cows—the promotion of the City's international banker functions. For because of the complexities of this aspect of our financial life, the Bank's attitude here are more than usually set in accepted without question in official circles and in the country at large. And its mistakes can, therefore, remain

more or less permanently uncorrected. Most of the items that go to make up the substantial surplus Britain records in its invisible balance of payments would emerge well from a cost-benefit analysis. The large sum yielded by insurance, for example, is obtained without creating serious difficulties or problems for the country in other ways. It is a very different matter where the international banker business is concerned.

One illustration of how different is being provided just now by the way in which an already difficult economic and financial situation is being rendered significantly worse by the pressures imposed on the £ by the withdrawal of foreign funds.

## £'s fall

Payments figures for the second quarter of the year show that a major factor in the new tumble in sterling that occurred during this period was the run-down of sterling balances arising from a deterioration in the payments experience of overseas countries holding their reserves in this form. And there is a good deal of evidence that the continuing weakness of the £ has been manifesting itself since then in the form of further withdrawals of money from London by oil-producing countries prompted by the uneasiness for their future that was generated by the £'s earlier fall.

As is now becoming apparent, such inappropriate behaviour on the part of the exchange rate is not only serving to negative the efforts exporters are making to reduce the current account payments gap by eroding the foreign currency yield of the goods they are selling abroad; by exerting an upward pressure on the price of imports, it is hampering the drive to reduce the rise in the cost-of-living just when success on this front is crucial to the survival of the Government's policy of wages restraint.

Remembering that a close connection can be traced between Britain's heavy involvement in the international hot money business and her addition to the stop-go way of economic life that has had such devastating consequences, the strength of the case for a thorough re-examination of policies in this field can hardly be denied.

Indeed, it is hard to see what sense there is in the Government going to a great deal of trouble to devise a complicated new export strategy as a means of rehabilitation, the balance of payments if nothing is going to be done to reduce the vulnerability of the £—and thence of the economy—to the backwash of London's international banking traffic.



The Prime Minister yesterday welcoming Mr. Nelson Rockefeller, U.S. Vice-President (centre), and Mr. Elliott Richardson, U.S. Ambassador to Britain (right), at 10, Downing Street.

## RACING

### Birdbrook can win 'Leader'

GAVIN FRITCHARD-GORDON, who was assistant to the late Jack Leader before starting to train on his own account, will be particularly keen for Silver Yarrow to land the Jack Leader Memorial Challenge Trophy at Yarmouth today.

Silver Yarrow, who receives 7 lb from the likely favourite and course winner Great Idea has run well on both her

appearances since making no show behind Sea Venture in the 23-runner Princess Maiden Stakes on the July course at Newmarket two months ago.

A respectable fourth to Cereum here four weeks ago, Silver Yarrow again ran with a promising sixth behind the smart Florida Royal over five furlongs at Newmarket after running prominently from the outset. The additional quarter-mile here will suit David Maidland's mount admirably and should be disappointed if she cannot open her account.

Half an hour before the Jack Leader Trophy, I shall not oppose that formidable trainer and jockey combination of Peter

Robinson and Joy Gibson in the Bottom Brothers Stakes, which they landed a year ago through The Matings.

This time they rely on the course specialist Lunarier, riding for his fourth victory here and his second over this mile trip.

On his last appearance, Lunarier, a five-year-old bay horse by Fortuna River, did not have the best of luck in running when a last-furlong third of seven behind Stark Rebel and Happy Victorious in Chester's seven-furlong Autumn Handicap three weeks ago.

The additional furlongs here will be to Lunarier's advantage and I expect to see him return to winning form at the main expense of the lightly raced Nori.

A second possible winner for Robinson is the lightly-raced Queen's Harmony, who has saddles for the North Dene Handicap. A short head second to Penhill Point in a 13-runner maiden event at Leicester ten months ago, Queen's Harmony has made little head in her two races this term.

She is reported to have been working encouragingly since coming home fifth of ten behind Bala Girl here on her last appearance three weeks ago, and with Lady Lee a surprising fourth behind Robinson's filly does not appear to have too stiff a task.

Frankie Durr, who rode with such drive and determination when getting the 100-1 Hitite Glory home from Musc Bay in the 1974 Cheltenham Gold Cup, could have another winning ride for Mr. Ravi Tikoo when partnering

## BY DOMINIC WIGAN

### GB II almost becalmed

THE BRITISH II, the British boat in the Financial Times Clipper Race, was reported yesterday to be almost becalmed in the middle of the Cape Verde group of islands off West Africa. She radioed her position at 0700 as 15° 10' N, 24° 50' W, and said she had made little more than 30 miles in the past 24 hours.

The French entry, Krier II, still seemed to be running neck-and-neck towards the equator although nearer the mainland on her more easterly course. Last night she was reported to be 15° 34' N, 20° 51' W. But she too had troubles—tropical storms—and the crew were said to be working hard and very tired.

CS RB II (Italy) was last reported south of the Canaries and the Great Escape (Netherlands) was reported to be approaching the islands on Sunday night.

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## FT CLIPPER RACE

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## FILM AND VIDEO

BY JOHN CHITTOC

# When a moving picture tells the best story

SOON after World War II, the U.S. Government commissioned a huge research project into the value of film as an instructional aid. Some of the results (published by Pennsylvania State University) confirmed what instinct had already told film practitioners: that the moving picture could be superior to the human instructor in certain teaching situations. Educationalists, especially in schools, have long harboured a suspicion about film, however, and only in recent times has much of the earlier prejudice begun to disappear.

In step with the acceptance of film as a teaching aid, there has also been a regrettable acceptance of poorer quality material; this at a time when the medium should be thriving on its educational status. In part, this decline is directly attributable to economic factors: when there is pressure to reduce costs in a medium that is inherently expensive, something must go. But additionally, the spread of do-it-yourself video and film production has encouraged an unskilled and frequently pathetic standard of moving picture grammar. Ironically, this has happened when Britain has never been better served by film and video training courses and schools.

## What is wrong

Some new releases in the last two weeks, intended for specialist adult audiences, exemplify very well what is going wrong and how it is going wrong. Most faults relate to the failure to use visual images to support an excessive dependence on spoken commentary. Too many producers seem still to think in words instead of pictures. And, regrettably, when they do use pictures, they regularly fail to exploit the educational value of a moving picture which can take the inquiring eye into inaccessible places, or coax the view to concentrate on a particular point.

Thus, in a sample from one of the new Info Dent videocassettes (a further education scheme for dentists) after considerable chat from a specialist, relief comes at last with a shot of a patient's mouth and a mirror behind the teeth allows the viewer to see the general area which is the subject of the talk.

But the specialist then goes on to talk about the type of bridge or brace used behind these teeth; I forget which because at that moment I was battling to see what he was talking about. The camera failed to glide smoothly into close-up, carrying the concentration of the eye along with the words.

The technique is simple enough to employ, works very well, and always lends a film considerable polish, eliminating jerky progress. Examples of this successfully done abound in the Potato Marketing Board's latest film, *Potato's Progress*. When a new technique for taking cuttings from potatoes (yes, cuttings) is being explained, the viewer is not left to imagine it all. The talking experts appear against visually interesting and appropriate backgrounds and then, as the voice continues to explain how cuttings are moved from growing haulms, even from tiny shoots in seed potatoes, the camera shows these things, moving in to extreme close-up just when the eye wants to see more detail.

## Rhythm

What is happening, of course, is that the skilful film-maker accurately anticipates the total needs of the viewer so that no effort or struggle is involved in following the information thread. Break the rhythm by failing to show a close-up, at the psychological moment when it is unconsciously expected, and the intellectual and visual senses will get out of step.

This is only one of many factors at work in the communications process. Even more fundamental is the caginess of the original scripting of a film or video programme. If the progression of information and ideas, selection of visuals and the intellectual structure of the spoken commentary are all badly conceived, professional excellence in assembling the whole will never overcome the basic weakness.

This I suspect, is the problem with *Seeing is Believing*, a film about computer-aided design made for the Department of Industry. There comes at last with a shot of a patient's mouth and a mirror behind the teeth allows the viewer to see the general area which is the subject of the talk.

Of timing. But with the five of demonstrating to management how computer-aided design might help own work, the film is a disappointment. To achieve aim, its first essential: client should have been present to demonstrate a computer-aided design would cause the most industrialist to realise its value in his own mind. The information content is low, the range of examples is too limited. It is not an impressive account of the versatility of computer-aided design, and worst of all, the underlying principle the subject never really across.

## Convincing

There are also very phenomena involved in communications chain screen and audience, which are still inadequately understood. One such emerges in another education programme, *American-made Film Teeth Are Good This*.

Originally produced in the U.S., this cartoon makes its points clear convincingly enough, inevitable with cartoon because the picture is creating the picture of the imagination. Importing the film to U.S., Johnson and Johnson neglected to do what sponsors are rightly about, re-voicing of the can commentary into English.

Since the message is that you, the audience, suffer tooth decay, it is a fact your teeth, the present American voice tell to an English audience a cause viewers to be from the situation. This is just another of the many elements in, often complex, relation when educational or films are made. A camera at an expert subject is not enough; pictures have a grammar of their own, and the grammar of the English language, and if people comprehend to see

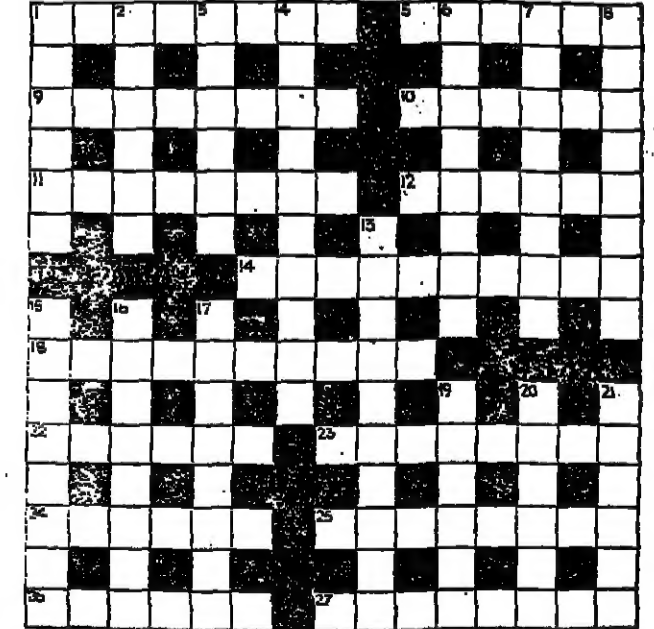
## TV Radio

† Indicates programmes in black and white

**BBC 1**

12.25 p.m. Debrah Canu, Debrah Canu, 1.45 Bagpuss, 3.30 Regional News (except London), 4.00 Play School, 4.25 Deputy, 4.50 Jackanory, 4.55 Animal Magic, 5.05 John Craven's Newsround, 5.15 Boss Cat, 5.40 The Wombles, 5.45 News, 5.50 Nationwide

## F.T. CROSSWORD PUZZLE No. 2,881



- ACROSS**
- Terms one cannot credit (4, 4)
  - Escape when left in struggle (6)
  - Getting together for a service in Gateshead (8)
  - Girl ought to get about in plenty (6)
  - Study by night for a German in Ireland (8)
  - Doast made to man fire break (6)
  - Land in Barking Creek or some other part of London (4, 4)
  - Not committed to being supported by receiver (2, 3, 5)
  - Exclusively like this English painter (6)
  - Cut off current to upper class gallery (8)
  - Stew over recently stolen drug (3, 3)
  - Deep affinity for a small room that is... (3, 3)
  - exceedingly... (3, 3)
  - ...impregnable like players joining a club (4, 4)
- DOWN**
- Lot left when 50 leave east end of church (8)
  - Spots sound of Thames-side town (8)
  - Keep out of this Camptown pub (6)
- Solution to Puzzle No. 2,880**
- POINTER COFFER  
LEH WIO  
FAMATIC GLADES  
N R N E D A  
STANDABOUT LIT  
E S W E M  
PERCH LIVERALL  
A O A N  
ENDANGER LEGIT  
BEAN SNARADON  
S O P T A N V  
BARONET STRIKER  
M A C E T R  
ELAPSE ADVENT

## ATV Midlands

6.40-7.55 a.m. Open University  
11.00-11.55 a.m. 5.00-6.40 p.m. 7.00-7.25 Open University  
7.25-7.55 Newsday  
7.55 The Rank Programme  
8.10 Jazz Ship, Count Basie and Orchestra  
8.15 Ship back to New York  
10.00-10.55 p.m. The Blue Dahlia starring Alan Ladd and Veronica Lake  
10.55 An Artist from Moscow, film about Soviet sculptor Ernest Nekrasov whose work is still not exhibited in Moscow  
11.00 Newsnight  
11.20 Closedown Michael Gwynn reads "London" by Peter Porter

## LONDON

10.20 a.m. Kresciator: The Cruel Country, 11.20 Theatre of Stars, 12.05 p.m. Gallipoli Gourmet, 12.50 Sinfonia Junior, 12.40 Rainbow, 1.00 First Report: News, 1.10 Regional Flavour, 2.00 Good Afternoon, 2.30 World in Action, 3.00 World Power, 3.30 World Championships, 3.55 Look's Family, 4.35 Roundabout, 5.05 Mapple, 5.20 The Ghost and Mrs. Muir.

## RADIO 1

6.00 a.m. Radio 1, 7.00 Noel Edmonds, 8.00 Tony Blackburn, 12.00 Johnnie Walker, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.30 News, 8.00 News, 8.30 News, 9.00 News, 9.30 News, 10.00 News, 10.30 News, 11.00 News, 11.30 News, 12.00 News, 12.30 News, 1.00 News, 1.30 News, 2.00 News, 2.30 News, 3.00 News, 3.30 News, 4.00 News, 4.30 News, 5.00 News, 5.30 News, 6.00 News, 6.30 News, 7.00 News, 7.3











## AMERICAN NEWS

## Hopes for U.S. economic upturn hit

BY PAUL LEWIS, U.S. EDITOR

WASHINGTON, Sept. 15.

THE FORD Administration's hopes of a strong upturn in the American economy during the second half of this year, suffered a new setback today with the news that businessmen are still dumping their stocks at a very high rate.

When combined with the resurgence of "double-digit" inflation in recent months, this augurs a decline in inventories likely to reinforce many economists' view that the coming upturn will prove weaker than the official forecasts predict.

During July, the Commerce Department reported that manufacturing and trade inventories fell by \$600m, or considerably more than the \$425m decrease in June. This suggests that there is still no end in sight to the stockpiling movement which has been dragging down the economy all year.

At the manufacturing level, a decline was \$650m, roughly in line with previous months, and says that the bottom has yet to be reached here. The movement of wholesale inventories, however, reversing June's increase to a \$225m fall.

Although retailers' stocks rose 100m in July, this was still inflationary upsurge during the low the second quarter summer was a flash in the pan.

## UNITED NATIONS

## Economic reform talks move closer to broad agreement

BY MALCOLM RUTHERFORD

NEW YORK, Sept. 15.

AFTER A week-end of all-day, all-night meetings, the UN special session was today moving towards a single resolution on world economic reform that could include a broad consensus on the monetary questions that have several times brought the conference to the brink of breakdown. In spite of the general lifting of spirits, however, U.S. sources cautioned that the session could still come to a "blistering end."

The chief area of dispute during the past few days has been monetary reform, with the group of 77 developing countries demanding not only the establishment of a formal link between the creation of new special drawing rights (SDRs) and development aid, but also a commitment to a new SDR issue in the relatively near future. This has proved unacceptable to the U.S., West Germany and Japan.

The session has already gone on three days longer than scheduled and the mood has frequently turned sour, with the session being threatened by pressure from their Treasury, backing away from positions in their working paper presented last week.

Thoughts are also heavily concentrated on next week's Vienna meeting of OPEC Ministers, who are expected to recommend increases in oil prices. According to one European delegation leader here, there is a danger that if the Third World is offered generous concessions in New York, the oil producers may be encouraged to raise prices still further on the grounds that the non-oil developing countries will have been offered a cushion against the effects.

On the other hand, it is also feared that if the special session fails to reach a consensus, the OPEC mood may become more aggressive and the consumer-producer dialogue, due to resume in Paris next month, will be doomed.

## Record agenda for Assembly

BY OUR OWN CORRESPONDENT

UNITED NATIONS, Sept. 15.

THE 30th General Assembly of the United Nations opens tomorrow with its usual assortment of world problems, and the threat of a major new one if militant members press demands for the exclusion of Israel.

A record agenda of more than 120 items has been prepared. This year, the Third World members' insistence that the UN is the most appropriate forum in which to discuss their demands for a new international economic order will focus much more attention in the Assembly than heretofore on trade and monetary questions.

A wide range of items falls under the title of disarmament. These include a proposal made only last week by the Soviet Union for a total ban on nuclear weapons testing.

The Palestine question, Korea, Cyprus (following the breakdown of the inter-communal talks), Rhodesia and the Southern African situation in general will all be among the delegates' preoccupations.

More than 100 Foreign Ministers, including Dr. Henry Kissinger of the U.S., Mr. Andrei Gromyko of the Soviet Union, China's Mr. Chao Kuang-shui, and Britain's Mr. James Callaghan, will be in New York at one time or another during the three-month-long session. The President is to be elected tomorrow, will be M. Gaston Thorn, Premier and Foreign Minister of Luxembourg.

He succeeds Mr. Abdelaziz Bouteflika, Foreign Minister of Algeria, who presided over last year's Assembly and a special session, which opened on September 1, on development and economic co-operation. Mr. Bouteflika, a Third World militant, did not allow the Presidency of the world body to affect his style. It was he who made the crucial ruling to bar South Africa's delegation from the Assembly last November.

## New Latin American strategy

BY HUGH O'SHAUGHNESSY

SANTO DOMINGO, Sept. 15.

THE STATUTES OF SELA, the Latin American Economic System, the new organisation which seeks to strengthen intra-regional co-operation and formulate the Latin American strategy on economic matters vis à vis the rest of the world, are to be worked out at a 14-day meeting of senior officials which opens in Panama today. The meeting is expected to make decisions on a number of main aims: regional co-operation for self-sustaining and integrated development, regional integration processes, economic projects of interest to two or more countries, the formation of Latin American strategies towards third countries and in world forums, and preferential treatment for the poorest countries of the region.

SELA would be run by a Council of Ministers meeting at least once a year, a series of ad hoc committees on specific subjects, and a small permanent secretariat.

SELA would be the permanent successor to CECLA (the Central American Economic Co-ordinating Committee), the ad hoc body formed in the late 1960s which had similar aims but which never had any established secretariat. SELA would include Cuba, but would exclude the U.S.

According to draft statutes submitted jointly by Mexico, Venezuela and Panama, SELA will seek to promote a number of main aims: regional co-operation for self-sustaining and integrated development, regional integration processes, economic projects of interest to two or more countries, the formation of Latin American strategies towards third countries and in world forums, and preferential treatment for the poorest countries of the region.

## NY state gets warning

BY GUY DE JONQUIERES

NEW YORK, Sept. 15.

STANDARD AND POOR'S, one of the principal U.S. debt rating agencies, warned New York State today that the spoken role in pointing out the dangers inherent in the city's undisciplined financial crisis. As long ago as last December, it told the city that it must take more urgent steps to reduce its budget deficit or risk losing its credit facilities. But it added: "Any rating down will mean a single A."

Then last April, the agency suspended the city's debt ratings, a compromising effect on the city's creditworthiness. In July, this was still inflationary upsurge during the low the second quarter summer was a flash in the pan.

## THE NEW HAMPSHIRE SPECIAL ELECTION

## More than just a Senate race

BY A SPECIAL CORRESPONDENT IN NEW HAMPSHIRE

THE PEOPLE of New Hampshire today in a more important election in U.S. history. In 1974, the Granite State's voters split almost evenly between Congressman Louis J. Farkas, the Republican, and Senator John Durkin, the Democrat. Some say that Durkin won by 10 votes; others claim Farkas won by two.

The U.S. Senate itself tried to determine the winner. Republicans, fearing that a Democratic majority would decide the dispute in favour of Durkin, filibustered, preventing a vote. Finally, Farkas, whose family owns a large New York department store, Dr. Farkas, was subsequently named Ambassador to Luxembourg, a key role in the presidential campaign. The obvious question is whether Farkas promised to return for the contribution, a promise which would violate Federal law. Wyman says he did not. Farkas has reportedly told authorities he did.

In August Wyman wrote to Special Prosecutor Henry Ruth asking for a statement that he was not under any suspicion in the matter. To the dismay of Wyman and his supporters, Ruth wrote back saying that Wyman was under investigation, although the Special Prosecutor did not want to imply that he was guilty of any violation of law.

Despite the Farkas affair, Wyman has enjoyed many advantages. Perhaps the most important is New Hampshire's primary. Less than a week before the special election Ronald Reagan came to address a rally, followed the next day by President Ford, who stumped in almost a score of towns. Ostensibly, these appearances were to prove that Wyman has the support of both conservative and moderate Republicans. But both Ford and Reagan actually came to look over Wyman's head and see how the crowd was reacting. Next February Ford will have to defeat Reagan in New Hampshire to remain a candidate, and Reagan, if he runs, will have to make strong showing if he wants to survive until later primaries. Although supporters of both are watching carefully for any signs of their relative strength in the Granite State.

For Ford, coming to New Hampshire was a tough decision. After the Special Prosecutor's letter to Wyman he had second thoughts about his commitment to the GOP candidate. Reagan never wavered. Seeing that he might lose his competitive advantage if Reagan went to New Hampshire, Wyman won. Ford shifted course again and announced his own visit.

congressional candidate he supported and the play backed because French-speaking people said they felt they were being patronised.

Durkin campaign officials say that Loeb could cost the Democrat 4,000 votes in Manchester, the state's largest city. Durkin has profited from Wyman's involvement in the Farkas affair, although he has not raised the issue himself. He is also acceptable as a credible candidate on the basis of his showing last year, which was rare for a Democrat in New Hampshire. Although he got off to a much later start than Wyman on fund-raising, organised labour and out-of-state Democrats have more than made up the difference. Both candidates will have spent all the law allows.

## Superior

The Democrat believes that the turnout for the special election will fall below normal and that a superior political organisation, capable of pulling out all of his support, will make the difference. He has two of Sen. George McGovern's top 1972 national organisers helping him. If they can bring out the entire Durkin vote, they believe they will not have to worry about those New Hampshire people who hold Durkin responsible for the delay in calling a new election.

Sensing that people are fed up with Washington politics, Durkin has been running against the Republican Administration and the Democratically-controlled Congress. He has told Democratic presidential hopefuls and other party bigwigs to stay away. While he may have seized a good political issue, many people in New Hampshire say they are put off by his shrill and fevered manner.

## Party-line

So eager was the GOP to win the re-run that Senate Minority Leader Hugh Scott and Sen. Howard Baker co-signed a fund-raising letter mailed even before it was certain there would be a new election. Some Democrats complained that two Senators who were supposedly sitting in judgement on the contested election should not be taking sides in that way. But most felt that the Durkin-Wyman contest was pretty much a party-line fight anyway.

Wyman also enjoys the mixed blessing of endorsement from the extremely short by American standards, has been characterised by wild exchanges of charge and counter-charge. There has been little debate on the issues. And the race has been complicated by the presence of a third candidate, Carmen Chimento of the conservative American Party, who could win more votes than the margin of difference between the two major party candidates.

The high tension can be explained by what is at stake. Not only will the Senate seat be decided, but the nation will be able to get a reading on the health of the post-Watergate Republican Party, the relative strength of Ford and Reagan in an arena where they are almost sure to meet in five months. The continuing doubt of William Loeb, and the popular reaction to a Democratically-controlled Congress that has been charged with playing politics with the energy issue. Politicians in both the Union Leader charging parties will almost certainly be strongly influenced over the next few months by their interpretations of the results. Perhaps 200,000 will actually vote, but more than 200m will be affected by the result.

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has been established by

## Industrial and Mining Development Bank of Iran

## Reading &amp; Bates Offshore Drilling Company and its subsidiaries

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The new Iranian company has a capitalization in equity, debt, and debt commitments totaling \$60,000,000.

The undersigned initiated and assisted in negotiating this transaction.

## First Washington Securities Corporation

The international investment banking subsidiary of

## SHEILDS MODEL ROLAND

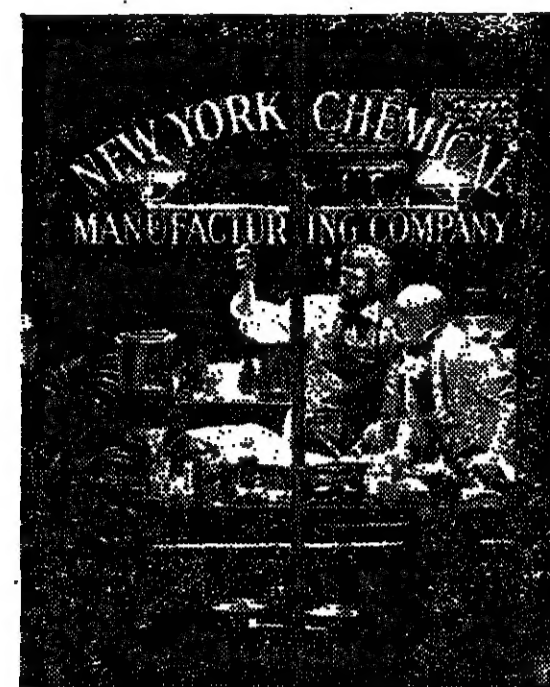
Incorporated

September 16, 1975

هكذا من العمل

## When you know how we became a major international bank, our name will no longer puzzle you.

Today, Chemical Bank is one of the world's leading financial institutions. We do business with over 80% of the world's companies that have over \$2 billion in annual sales. Our world-wide services are so extensive that no matter what business your company is in, we can provide the banking support you need. But 150 years ago we weren't even a bank. We were the New York Chemical Manufacturing Company located in a rural area of Manhattan known as Greenwich Village.



## Chemical Bank's past.

Long before we became known as a businessman's bank, we were a businessman's business. We were founded by a local paint manufacturer, a druggist, and a prosperous New York grocer. In 1824 we applied to the legislature for permission to operate as a bank. Later that year a bank charter was granted. Since then a lot of things have changed. For one thing we no longer manufacture chemicals. And for another we no longer require our cashiers to live above the counting room "the better to guard the bank's funds."

## Chemical Bank's present.

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## CHEMICAL BANK

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## EUROPEAN NEWS

## Moro, Communists clarify positions on co-operation

BY ANTHONY ROBINSON

ROME, Sept. 15.

MAJOR political speeches by Italian Prime Minister Aldo Moro and Communist Party secretary Enrico Berlinguer have contributed to clarifying the broad lines of the Italian political situation some three months after the June 15 regional elections which marked a fundamental shift in the balance of political forces.

Prime Minister Moro took advantage of the opening ceremony of the annual Levant Trade Fair on his home ground at Bari, the regional capital of Apulia, to appeal for wage moderation from the trade unions during this autumn's labour contract negotiations for more than 4.5m. workers and to put out explicit feelers to the Communist Party for their co-operation.

For the first time, a Christian Democrat Prime Minister has called on his party and the others in the Centre-Left formula to work out "some way of

associating the PCI (Communist Party) with the Government majority," adding that "no political force can think of avoiding a serious approach to the principal opposition over the content and general orientation of the overall political programme of the Government."

The ability of Sig. Moro to make such a statement reflects the new balance of political forces but also the fact that he no longer has Sig. Amintore Fanfani as party secretary but Sig. Benigno Zaccagnini, a long time moral supporter who shares Sig. Moro's general political philosophy.

However, Sig. Moro underlined that the realisation of the need to openly recognise the influence and potential contribution of the Communist Party does not mean that the parties who have governed Italy for the last 12 years should go any further towards formally including the Communists in Government.

## Boost in French trade surplus

By Rupert Cornwell

PARIS, Sept. 15.

FRANCE WAS once more substantially in the black in its trade with the rest of the world last month, and its surplus for the first eight months of 1975 now stands at over Frs.5.5bn. (€800m.), adjusted for seasonal variations.

In August the corrected surplus came to Frs.1.23bn. (€153m.), up from Frs.533m. (€66m.) in July, and compared with a deficit of almost Frs.1.5bn. in August last year. However, as the figures released today by the Foreign Trade Ministry show, the turnaround has been bought at the price of a sharp fall in volume.

Imports have suffered most heavily, down in value terms from Frs.11.1bn. a year ago to Frs.12.7bn. last month, while the decline in exports has been much less marked to Frs.18.5bn. from Frs.19.5bn.

The strong trade performance has been the main contributor to the fairly unusual event of a French current account surplus in the first half of 1975, of Frs.2bn. Last year's deficit, at the height of the energy crisis, rose to Frs.28.7bn. while that of 1973 totalled Frs.3bn.

The capital account fared even better, thanks to a steady flow of short term and long term funds into France, showing a surplus of Frs.12.7bn., and leading to the considerable appreciation of the franc.

The result, as Finance Ministry figures this week-end reveal, is a Frs.14.7bn. improvement in the country's external finances. The larger share of this, Frs.1.5bn., is reflected in an increase in official reserves, while the indebtedness of the banking system shrank by Frs.6.9bn.

## SWISS RECESSION 'WILL CONTINUE'

By John Wicks

ZURICH, Sept. 15.

ACCORDING to a report issued by the Swiss Federal Commission for Economic Studies, the recession trends in the country's economy will continue in the next few months. Although the Commission says that the recession is not likely to become more accentuated, it believes that the demand for employees will decline further.

## GREECE AND THE EEC

## The details are devilish

BY W. L. LUTKENS, RECENTLY IN GREECE

GREECE is relying very much on the political arguments for gaining full membership in the Common Market. Mr. Constantinos Karamanlis, the Prime Minister, has said that he would not have asked for full membership if it had not been a political matter, rather than one of tomatoes and peaches alone.

Signor Carlo Scaramia, Member of the Italian Vice-President of the European Commission, said on a visit this month to the Salonika Fair that he agreed. Mr. John Psemmazoglou, a prominent Greek opposition figure and head of the Greek delegation in the mixed EEC-Greek parliamentary commission, takes much the same view. The Nine themselves have agreed in principle that Greece, now an associate, should join, and that negotiations should begin to settle the technical details.

So everything in the garden should be lovely, were it not for a much-quoted saying of the first President of the Common Market Commission, as it then was, Prof. Walter Hallstein, that "details are the devil." One might again be expected to "grow" demands on the Regional Fund (which is a little less consistent) and contributions a bit less reluctant, and demands for immigrant labour, a traditional outlet for Greek manpower, and a major contributor to Greek external revenue, would once again increase.

More than that, direct foreign investment in Greece, which has been falling for reasons originally political but now economic, would resume, with immediate effect, beyond questions of membership. But all of this is contingent upon the world recession coming to an end. If it does not, the technical details will loom large indeed.

In a conversation with the Financial Times Mr. Psemmazoglou argued that in such a case the arguments for closing ranks in Europe, with Greece becoming a full member of the EEC, would become even stronger. A continuation of the world recession would require from Europe a collective approach of organised solidarity. Moreover, it should extend beyond questions of economic and monetary policy to foreign policy and defence.

Mr. Psemmazoglou argued that given the lasting importance to the Nine as at present constituted

of relations with the Arabs of the Middle East, it would be mistaken not to extend European unity to a European Mediterranean country such as Greece. It is indeed true that Greece has long had business links with countries such as Egypt or the Lebanon. It is unfortunately also true that Greece has a long history of conflict with Turkey, most recently in Cyprus and about

students. Moreover, of 13 at the Institute, no fewer than six were temporarily or even permanently present.

It is an old complaint that Greek higher education is in practice, as irretrievably, very much redemptive age. Add that to the many student-teacher ratio, an even a teacher unlikely, due the most adaptable graduates. Study becomes a passport not of knowledge, but of a commercial work time. At present it is a of commercial fair, present and fun fair. Mr. Tel hopes to banish the rounds within three years. But that alone would make the make the leading fair grounds. Oddly enough one of the source of strength: Sator always gone in for nation lions, sponsored by foreign governments. Where, for instance, are you likely to display of Albanian foods, handicrafts, and industrial products? It will make use of this to appeal to trade, trade, of eastern Europe, like national pavilions, the Arabs.

That is in keeping with endeavours to act as a of bridge between, Sator the Middle East. Mr. Tel believes that in this, a fair could be of use to and its industries. He have, his reform pro through within three years, then he does look and a optimistic.

What of the time required for Greece to enter the EEC? Psemmazoglou said that, ally it should be possible to settle the details with perhaps even one year. Scaramia Mugnoz, a conference in Salonika, his shoulders, but not that judging by previous negotiations, three years would be right. Given Prof. D. Tzeleppoglou, who said that hardly enough, so one during his time at the Institute, to fall back upon 1960 of Economic and Business take a year, unless a Management there, one professor, economy really does take an assistant, and one lecturer, unless Europe comes to were struggling to teach economic conclusion that the times, the analysis for in all, 3,300 ranks to be closed, given

The usual view is indeed that the Greek industry should manage, though agriculture would face difficult problems of adjustment. There is a third view: that the real difficulties will arise in the institutional sector, not least in an ill-paid and not excessively efficient civil service. The mixture of a partly modernised industrial apparatus, agriculture ancient and modern, and a hidebound administrative machine, familiar from Italy, and hence a warning to all.

A special but closely related problem, that of education, was sketched to the Financial Times by a Salonika economist, Dr. R. overtones, two years D. Tzeleppoglou, who said that hardly enough, so one during his time at the Institute, to fall back upon 1960 of Economic and Business take a year, unless a Management there, one professor, economy really does take an assistant, and one lecturer, unless Europe comes to were struggling to teach economic conclusion that the times, the analysis for in all, 3,300 ranks to be closed, given

## Plan to improve conditions for migrant workers

BY DAVID CURRY

BRUSSELS, Sept. 15.

THE BRUSSELS Commission has sent to the Council of Ministers a series of proposals designed to improve the position of migrant workers in the EEC. They cover, principally, providing family allowances to workers who have left their families behind in their own country; improving educational provision for children of migrant workers and extending trade union rights to such workers.

On family allowances, the aim of the proposed new regulation is to tighten up existing rules in such a way as to gain maximum allowances for workers' families. While the general practice is to pay allowances corresponding in size to those paid to domestic workers, France has operated a scheme which gave the worker only the level of allowances obtaining in his country of origin. If the council accepts amendments proposed by the Commission, workers will now get the level of payments applying in the host country.

The Commission is also pressing for a directive on improving educational facilities for the children of migrant workers. This would apply not only to workers of Community origin but to all the approximately 6.2m. foreign workers in the EEC bringing with them, it is estimated, some 1.5m. children. The proposed directive would give member states three years from the date of adoption to introduce an educational reception system for migrants' children, primarily to help them learn the language of the host country; to provide for teaching of the language and culture of their native country as part of normal schooling; and to make arrangements to employ teachers specially qualified to deal with migrant children.

Finally, the council is being asked to improve the rights of migrant workers to hold trade union office. This will tidy up and extend rules adopted in 1968 concerning the trade union rights of migrants.

In a separate communication, the Commission is forwarding to the Council the findings of a group of experts on a possible framework of minimum standards for housing built to accommodate people who depend on wheelchairs for mobility. The Commission now intends to let government experts together to work out how to implement these standards. It is also seeking the adoption of standards of "non-union" in public buildings to allow free access and circulation to handicapped people.

## Links with China formalised

BRUSSELS, Sept. 15.

CHINA and the EEC established formal diplomatic relations today, Mr. Li Lien-pi, Peking's Ambassador to Belgium, handed over his credentials as envoy to the Common Market to the Italian Foreign Minister Mariano Rumor, chairman of the EEC Council of Ministers.

Plans to establish diplomatic ties were announced in May during a visit to China by Sir Christopher Soames, EEC Commissioner for external affairs. Although China's trade with Western Europe is relatively small, Peking has long supported the Common Market and the unification of Western Europe as a counter-balance to Soviet power in Europe.

## Wilson in Romania to-day

BY PAUL LENDVAY

VIENNA, Sept. 15.

ECONOMIC co-operation, off at £34m. in 1973-74. However, the imbalance in Britain's favour has been reduced from £10m. in 1971 to nil last year. During a brief stopover in London on his way back from Latin America in this year, the Romanian President, Mr. Nicolae Ceausescu, said that Romania hoped to double two-way trade with Britain in the next two to three years. British exports in the first half of this year were rising at a rate of 40 per cent compared with the period in 1974, but because of the import restrictions ordered after the Romanian floods in July, British export prospects are not as bright as they were.

In the area of foreign affairs, President Ceausescu is likely to raise the question of Pangeal, Romania's only Warsaw Pact country which has maintained good relations not only with the Portuguese Communists but also with the Socialists. It is also possible that Mr. Ceausescu will

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(N.V. Koninklijke Nederlandse Petroleum Maatschappij)

Established at The Hague, The Netherlands

## INTERIM DIVIDEND 1975

The Board of Directors and the Managing Directors of the Company have declared on account of the expected total dividend in respect of year 1975, an interim dividend amounting to Netherlands Guilders 3.75 per share on its outstanding shares of 20 guilders per value.

## A. On the Bearer Shares

(i) This interim dividend will be payable against surrender of Co. No. 158 on or after 23rd September, 1975 at the office of N.M. Rothschild & Sons Limited, New Court, St. Swift Lane, London EC4A 3DU on business days between the hours 9.30 a.m. and 2 p.m.

Payment will be made in sterling at the buying rate of each dividend in Amsterdam at 2 p.m. on 17th September, 1975 in the form of coupons presented on or before that date, or on the presentation in the case of coupons presented subsequently. In the fact that Netherlands guilders funds are being provided by the Company for payment of this dividend, the usual foreign exchange commission will be deducted from the sterling proceeds. Coupons must be accompanied by a presentation form copies of which are enclosed with this dividend. The presentation form and the face of coupon must bear the stamp or other indication showing the net presenter.

Coupons must be left for an appropriate period for examination must be handed in personally. Coupons cannot be paid through post.

In the case of shareholders not resident within the Scheduled zones the paying agent may, at the request of the Authorised Delegates, pay the dividend in a different currency on the basis of the sterling/guilder rate of exchange current at the date of payment.

Netherlands dividend tax at the reduced rate of 15 per cent will be deducted from the gross dividend where:

(a) United Kingdom income tax has also been deducted; (b) Coupons are presented on behalf of residents of the U.S.A., Canada, Australia, Belgium, Canada, Denmark, Finland, France, Ireland, Japan, Luxembourg, Netherlands, Norway, South Africa, Spain, Surinam, Sweden or West Germany provided they lodge the appropriate declaration form.

In all other cases Netherlands dividend tax of 25 per cent will be deducted.

(ii) On 23rd September, 1975 this interim dividend will be paid to depositaries admitted by Centraal voor Fondsenadministratie, Amsterdam, on the shares whose dividend shares were in custody at the close of business on 12th September, 1975. Payment will be made through the medium of N.M. Rothschild & Sons Limited, after receipt by them of a duly completed CF Dividend Form.

Where appropriate, the usual affidavit confirming non-residence in United Kingdom will also be required if payment is to be made with deduction of United Kingdom income tax.

Where under the double tax agreement between the United Kingdom and the Netherlands, 15 per cent Netherlands tax is allowable for a resident of the United Kingdom as a credit against the United Kingdom income payable in respect of the dividend, the deduction of United Kingdom income tax at the reduced rate of 20 per cent instead of at the Basic of 35 per cent represents a provisional allowance of credit at the rate 15 per cent.

## B. On the Registered Shares registered in the United Kingdom

Section of the Amsterdam Register

On 18th September, 1975 the sterling amount of the dividend will be fixed on the basis of the sterling/guilder rate of exchange current at the date of payment.

The record date will be 29th September, 1975; shareholders registered at the close of business on that date will be entitled to receive dividend.

On or before 21st October, 1975 dividend warrants will be posted by transfer agent, Abn-Amro Bank Nederland N.V., Amsterdam, to all shareholders registered in their books on the record date. On the dividend on the registered shares Netherlands dividend tax of 25 per cent has also to be deducted. Where under the relevant convention shareholders are entitled to a reduction of the Netherlands dividend tax, this can only be effected through a request for partial refund of the tax withheld on the appropriate tax affidavit. Further announcement will be made as soon as possible after September, 1975 giving the rate of exchange, the amount of dividend in sterling per share and the amount of the 25 per cent Netherlands dividend tax in sterling per share.

15th September, 1975 ROYAL DUTCH PETROLEUM COMPANY



## Judge's ruling may lead to Indian detainees' release

NEW DELHI, Sept. 15.

THE High Court ruled today that the Government had failed to satisfy it that a leading nationalist held under internal security laws, had been lawfully detained. The court's judgment, on a Habeas corpus appeal, seems likely to lead to the release of hundreds of similar political prisoners held under the Indian emergency laws declared in 1975.

A journalist, Mr. Kundip, 51-year-old editor of the *News Service*, had been freed after seven months of detention. He was released on Friday, but Mr. Kundip's lawyer, Mr. Ranagajan, said he would appeal the court's decision to the next level. He said that the court's decision was a landmark, and that the authorities must be able to satisfy the court of the genuine need to detain him.

Justice Ranagajan also said that the court's decision was a landmark, and that the authorities must be able to satisfy the court of the genuine need to detain him.

## Australia to raise domestic oil prices

JAMES FORTH

SYDNEY, Sept. 15.

Australian government has announced changes in its pricing policy for domestically produced oil in an attempt to date flagging petroleum export. Prices for local crude have been pegged for the past years at just over \$A2 a barrel, while world prices have risen in response to increases in OPEC. Future discoveries in Australia will receive a price 1 to the landed cost of crude. A levy of \$A2 barrel announced recently in 1975-76 budget will still make the effective new \$A6.50 a barrel.

The Government indicated it would look at the price in time to time, which exists that changes will be made in the case of major price movements, such as further OPEC increases. The Government is hoping that the new policy will reactivate petroleum exploration, which has dropped alarmingly over the past two years, largely because of the artificially low domestic price and uncertainty over Government policies. The changes have been welcomed by the industry, which expects it will provide some boost. But it is concerned that there are still several aspects that are unclear.

One of the recently introduced levies, which has been put out, it would take at least four to five years to develop a field to tomorrow and there is no certainty what the levy would be at that time.

## Kuwait talks inconclusive

RICHARD JOHNS

THE round of negotiations on the complete take-over of the Kuwait Oil Company ended inconclusively in Geneva at the end of last week. British Petroleum and Gulf Oil declined to comment on their progress. However, that talks concentrated mainly on matters although the oil fields and the issue of taxation was also covered, companies have so far not been inadequate the Kuwaiti government's offer of \$50-\$55m.

According to the latest issue of *Petroleum Intelligence Weekly*, the Government and the companies are still widely divided over the "service fee" in lieu of a price discount. BP and Gulf are seeking 20 cents a barrel over a 15-year period while the Government is proposing 15 cents for only five years. The are also reported to have asked for 120-day credit terms rather than the maximum of 90 days which the Government is apparently prepared to concede.

## Eritreans threaten U.S.

BEIRUT, Sept. 15.

ERITREAN rebels threatened today to kill four U.S. captives if the U.S. stops arms aid to the Eritrean Liberation Front (ELF). A spokesman for the ELF said the ELF's four captives were communicated to London through "a U.S. ally in the Middle East."

In addition to the arms ban, the rebels included: dismantling the Kagnaw communications base near Asmara, the provincial capital of Eritrea, compensation for areas that suffered losses in massive attacks by U.S.-supplied Ethiopian troops last February; and partial U.S. Government presence on the island of Eritrea to free Eritrean rebels held in Addis Ababa.

A spokesman said two U.S. communications technicians were freed on July 14 and two were kidnapped in a massive rebel raid on the Kagnaw facility on Friday.

UPI adds from Addis Ababa: The U.S. and Ethiopia have started urgent consultations to decide the future of the Kagnaw communications base. Brig. Gen. Tefari Bante, chairman of Ethiopia's Provisional Military Government, told newsmen on Sunday that the base would be closed "this year." The Government, however, then issued a clarifying statement, saying although the base was "in the final stage of closing down," the process would be completed within the current Ethiopian calendar year which runs until next September.

But both statements took Washington by surprise. The U.S. had hoped its 40 technicians in Asmara would be able to maintain Kagnaw until a 25-year agreement on the base expires in 1978.

## NG becomes independent

JAMES BUXTON

AUSTRALIAN dependency, PNG, is now independent today in a play down the Bougainville secession. Mr. Somare is also anxious to play down the Bougainville secession. Mr. Somare is also anxious to play down the Bougainville secession.

Whitlam, the Australian prime minister, and Prince Philip, representing the Queen, many of them extremely primitive, will be PNG's head of state.

Heart of Papua New Guinea is the eastern half of island of New Guinea (the other half is part of Asia), plus a large number of islands, the biggest of which is the island of Bougainville.

Independence was declared today. Mr. Somare, PNG's Prime Minister, has been crowned in a ceremony of traditional PNG style. He said: "Most of PNG's major source of income is from the copper mine, Apodeti and UDF men."

by a subsidiary of KLT. Reuter

## HEAVY TIMOR FIGHTING

JAKARTA, Sept. 15.

INDONESIA's military chief today said that the pro-Indonesian Timorese Democratic Union (UDT) and the pro-Indonesian Timorese Democratic Union (UDT) were fighting in the North Solomons.

Indonesian forces around the Portuguese Timor capital of Dili. Brigadier-General Ignatius Praxinos told reports that 25 members of Fretilin—the Revolutionary Front for the Independence of East Timor—were killed in fighting last Thursday.

He denied Fretilin claims that its forces controlled most of East Timor, which has been wracked by inter-party fighting for more than a month. He said: "Most of the territory is occupied by a subsidiary of KLT. Reuter"

## LIBYA'S SIXTH ANNIVERSARY OF THE REVOLUTION

# Dissatisfied with a messianic role

BY STEWART DALBY, RECENTLY IN TRIPOLI

ON THE eve of the sixth anniversary celebrations of the revolution in August when dissatisfaction within the Army came to light. Nobody (at least nobody who is willing to talk to Western journalists) knows quite what happened then. Independent observers in Tripoli now feel it was not so much a coup attempt as has been re-

ported, as a lot of conspiratorial talk. The alleged chief conspirator, Major Omar el Maheisy, fled to Tunisia, and 30 other officers were rounded up for questioning. The events tended to confirm what many observers had long suspected: that although Colonel Khedafi remains firmly in control, there is a lot of dissatisfaction among officers.

Many of them are said to be unhappy with Colonel Khedafi's cavalier foreign policy. They dislike the blanket support for revolutionary groups, both moral and material. It gives the impression the country is run by a wild-eyed fanatic. Moreover, if Colonel Khedafi is determined to arm himself and his forces to the teeth, which he is—dispensing large chunks of the country's oil money to any liberation group that passes through is perhaps not the right way to do it.

To realise just how keen Colonel Khedafi is on collecting

wealth operate on 90 days credit, the arms deals, the unpublished payments to the Palestinians, and the other. But more than this there is dissatisfaction that Colonel Khedafi is spending so much money unnecessarily at a time when Libya can ill afford it.

Unprobable as it may sound, Libya is only just now emerging from a tight liquidity squeeze. Spending is highlighted by the

'Many Army officers feel that it is the arms expenditure which should be trimmed rather than money for schools.'

jets screamed low overhead.

He is even now talking of achieving nuclear capability and this could be the reason he recently annexed a swathe of neighbouring Chad's territory by moving his border guards south. The area involved is the size of Scotland and has only 6,000 nomads in it, but it could contain uranium, or so Colonel Khedafi is said to believe.

More specifically Colonel Khedafi recently concluded a massive arms deal with the Soviet Union, which could be worth anything between \$U.S.400m. and \$U.S.12bn. (the figures are, of course, never revealed). But the Libyan army is only just over 20,000 strong and western observers say that there is criticism within the army at the size of this deal. Apart from anything else the Russians reportedly demand payment on the nail while the oil companies which supply virtually all Libya's

The problem has been that most recent IMF statistics, which Tripoli overpriced its oil at a time of slackening demand in western Europe. Its main market, Libya put its prices up more than others so that, geographically, it is not far from the European countries could buy their crude cheaper at Rotterdam from other North African producers and even Gulf producers. In the summer of 1974 Libya was producing 2.2m. barrels a day. By the end of last year when Tripoli was trying to sell crude at \$12 a barrel, production had fallen to a little over 900,000 barrels a day.

Under its three-year Development Plan Libya expects to spend something like \$3bn. in the current financial year. This covers everything from oil refineries to agriculture, health and education. On top of this there is a current budget of the order of \$700,000. Then there are

The pinch, however, has been felt and it is the social programme, not arms expenditure, that has suffered. Anything from \$500m. to \$1bn. is believed to have been slashed from the budget, with the cuts affecting most health and other social spending.

Observers say that many army officers feel that it is the arms expenditure which should be trimmed rather than money for schools. It is perhaps significant that Major Maheisy was Minister for Planning.

It is impossible to tell how widespread is the dissatisfaction within the armed forces. Colonel Khedafi is the strongest personality on the ruling Revolutionary Command Council, and it is said that he maintains the fiction of collective rule, because with his peculiarly messianic view of his own role as the servant of the Libyan people, he does not want to appear a military dictator.

The events of August, however, have clearly chastened Colonel Khedafi. His speech on September 1 was notably restrained. The Sinai Agreement, which was announced that day was not mentioned by name. Only ritualistic support was given to the extremist Palestinians.

It may well be that the liquidity crisis and the army unrest has spawned a new Colonel Khedafi but western observers in Tripoli who have seen his moods fluctuate before are not yet placing any bets on any such change.

# Even we never built a truck like this before.

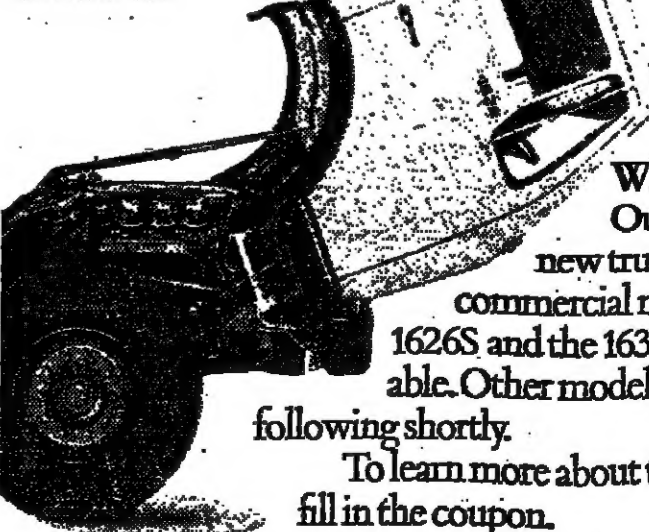
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## HOME NEWS

# Fidelity Life ruling for car franchises delayed

BY ERIC SHORT

POLICYHOLDERS in the failed life company Fidelity Life Assurance were warned yesterday that it could be several weeks before a Court decision made regarding the winding up.

This information is contained in a letter sent to the 13,000 policyholders in the company by special manager, Mr. Donald Chilvers, a senior partner of chartered accountants Coopers and Lybrand.

A petition for the compulsory winding up of Fidelity was presented to the High Court on July 28 by the Secretary of State for Trade. This is due to be heard on October 6, but the hearing is likely to be adjourned.

In his letter, Mr. Chilvers tells Guaranteed Income Bond holders, annuitants and other policyholders due to receive money from Fidelity Life that the provisional liquidator and the special manager, who are running the affairs of the company, are not permitted at present to make any payments to policyholders or creditors out of Fidelity funds.

The court has sanctioned an interim scheme under which holders can continue to pay premiums on policies. Such premiums will be held in a separate trust account so that should Fidelity be liquidated, policyholders can have the amounts paid since July 28 returned or leave them as premiums paid under the policies.

Policyholders who choose not to make any further payments are advised to hold the money available so that premiums could be paid quickly if it was advantageous to do so.

The trouble at Fidelity arose over the position of the £1m. deposit made with the failed secondary bank London and County Securities. The Bank of England did not consider this investment covered by its rescue scheme. Without its availability the remaining assets of Fidelity are insufficient to cover its liabilities.

# Lonrho-Tilling £8.6m. deal

BY PETER FOSTER

Lonrho is to take over the U.K. franchise for Volkswagen, Audi and NSU cars from Thomas Tilling in a cash-and-share deal worth £8.6m.

The consideration for the acquisition—which has the approval of Volkswagen in Germany—has been calculated as the total of the net tangible asset value of Volkswagen GB at June 30, about £9.5m, plus £50,000 reduced by the sum of £1.7m.

This total of £8.6m. is to be paid to Tilling as a dividend.

Lonrho is entitled to the benefit of the profits of VW (GB) from July 1, 1975 and

will pay interest on the cash portion of the consideration from that date.

Thomas Tilling made it clear in April it wished to "reduce its investment" in Volkswagen GB, and Lonrho has been mentioned several times as the most likely bidder.

Lonrho's first venture into motor distribution in the U.K., although the company holds concessions for Rolls Royce and Alfa Romeo in Belgium and for a wider range of manufacturers throughout Africa, where its annual motor trade turnover is around £100m.

The VW franchise was acquired by Tilling in 1957 and the company took over the Audi/NSU concession in 1971.

Due to declining sales of its main model, the Beetle, and to

overall decline in the British car market last year VW (GB) produced a pre-tax loss of £1.45m. compared with profits of £2.86m. in 1973.

Despite continuing dullness of the car market this year, the popularity of VW's new model range—in particular the Golf, which was the best selling European car in the U.K. last month—has helped it to return to profitability.

VW (GB) made an unaudited pre-tax profit of £1.5m. in the first six months of 1975 on sales of around £51m; and is forecasting a full year pre-tax figure of £2.8m.

Mr. Michael Heelas, who was appointed managing director of VW (GB) at the beginning of this month will continue in this position while Mr. Roland "Tiny" Rowland, chairman of Lonrho, and two of his directors will join the Board.

# NatWest to expand in America

BY MICHAEL BLANDIN

NATIONAL Westminster Bank is transferring control of its North American operations from London to New York as part of a major effort to build up its activities there.

Two senior executives are taking charge of the operation, backed by support staff also being transferred from the U.K. Mr. Dennis Bunyan, chief international executive of international Westminster Bank and of the bank's European operations, has been appointed senior executive vice-president.

Mr. George Catlett, senior international executive, Americas region, has been appointed executive vice-president.

At the same time, NatWest is building up the marketing capabilities of its New York and Chicago branches, its agency in San Francisco and its office in Toronto. The new executive office will be at 100 Wall Street, where

substantial additional accommodation has been taken.

Commenting on these developments Mr. Harold Hitchcock, general manager of the bank's international division, said: "With this two-fold expansion it is logical to establish our control organisation in North America, so that we can more effectively service our existing business and increase it."

He added: "It is not without significance that the bank is making this move as the U.S. recession appears to be waning, so that we are ready to grasp the opportunities of an upturn in their economy."

The news provides some answer to the question of NatWest representation in the U.S. Unlike the other big three U.K. banks, the group has not so far established a major retail operation there.

It now appears that NatWest, which has developed a substantial international operation else-

where, is planning to concentrate in North America on developing its wholesale banking activities.

Appointments, Page 18  
See Men and Matters Page 18

# More price interventions

Financial Times Reporter  
PRICE COMMISSION interventions in August were running at a higher level than in July, figures released by the Commission showed yesterday.

In all, the Commission intervened in 134 cases with 13 applications rejected outright, 85 modified and a further 36 withdrawn by the companies themselves. This compares with 86 interventions in July.

Included in the list of rejections was an application from the De La Rue Company, which wanted to raise the price of its currency notes by between 31.05 per cent and 33.10 per cent.

# Graduate starting salaries up 30%

By Michael Dixon, Education Correspondent

STARTING SALARIES for new graduate employees this year show an average increase of 30 to 35 per cent over last year, according to information gathered by the Standing Conference of Employers of Graduates.

Mr. Terry Deah, the SCOG statistics officer, said yesterday that on September 1 the basic starting salary for a 21-year-old with a second-class honours degree averaged about £2,450-£2,500. The corresponding figure a year ago was £1,900-£1,950.

In spite of the generally weak employment market, especially for school-leavers, the overall demand for graduates this summer remained at last year's fairly buoyant level. There are said to be a few vacancies left, but the main employing organisations have filled their quotas.

# Next summer

The outlook is gloomy for students due to leave universities or polytechnics with degrees next summer, according to careers advisers and personnel managers, who yesterday attended a London reception to launch the 1976 Directory of Opportunities for Graduates.

The general view was that the average undergraduate would be wise to aim at securing a job at the first possible opportunity during the spring graduate-recruitment season.

# LONG RANGE FORECAST

# A dry start

RAINFALL and sunshine will be near average in most districts during the next 30 days, says the Meteorological Office long range weather forecast.

There will be a mainly dry start, especially in the south. Then one or two cool rainy spells are likely, interspersed with short spells of fine weather. Mean temperatures will probably be below average in Scotland and Northern England and near average elsewhere.

# GIBBONS' STAMP CATALOGUES

The forty-first edition of Stanley Gibbons' Stamp Catalogues, the world's leading stamp guide, will be published on September 26 at £7. It lists 180,000 stamps on 1,444 large format pages.

The 1976 edition of the Elizabethan Specialised Catalogue of modern British Commonwealth stamps will be published on November 23 at £6.50. Over 1,800 new stamps have been added with thousands of price changes covering most countries. Over 20,000 stamps are listed, 4,700 varieties, and there are 7,300 illustrations.

# NEWS ANALYSIS—MOTOR INDUSTRY

# Jensen's bumpy road

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

IRONICALLY, JENSEN Motors' decision yesterday to call in the receiver comes only two months after Aston Martin, another of Britain's diminishing group of specialist car manufacturers, was rescued by a group of American investors.

Jensen has been under American management for five years, since the Californian millionaire, Mr. Kjell Qvale, bought the company from the Brandts merchant bank.

He brought to the job a mixture of marketing know-how (he was Jensen's biggest importer in the U.S.), and an aggressive concern to protect his own investment—said to be about £1m. in total—which came to a head last year when he threatened to close the company down in the face of union disputes.

Mr. Qvale eventually got much of his own way with the unions, reducing the work force from about 1,200 to 700. But despite that, and continuing optimism about sales prospects in the U.S., the sums simply have not come right, and Mr. Qvale will be heading back to what he says is a still profitable distribution business in the U.S.

Many critics in the industry will not be surprised at the turn of events. Apart from the much publicised problems at Aston Martin, the Italian specialist producers have also been going through a rough time. Lamborghini has changed hands in the last few months, and Maserati, in liquidation, is in the process of being rescued by the Argentinian entrepreneur, Alessandro de Tomaso.

The problems faced in both the U.K. and Italy—the two remaining centres of small-scale specialised motor car production—are of two kinds.

First, they are basically craft-oriented manufacturers, highly dependent on the inherited skills of their workforce, and inevitably carrying heavy overheads. Secondly, they have been caught between the twin pincers of rapid inflationary cost increases,



Mr. Kjell Qvale: Marketing know-how plus abrasive owner.

while trying to recover those costs in a market looking much more closely at prices as fuel expenses became a testing factor against large cars.

Jensen reflected these problems in its statement yesterday which singled out four factors for its present financial position. These were, it said, the high level of British inflation; labour troubles; complex exhaust emission and safety legislation; and the oil crisis affecting sales.

Of these, Mr. Qvale believes that safety and exhaust emission legislation may have been the most damaging. He reckons the company has spent £1m. in the last three years meeting the different standards which apply in the U.S. and other export markets.

For a large company like General Motors such costs are annoying but not crippling; for the specialist producers they came at a time when any extra expense was an acute embarrassment.

At Jensen, the problem compounded by production troubles with its new GT sports car, a hybrid of a Scimitar-style which was based on the year-old Jensen Healey.

Announced six weeks ago, the car still to get in showrooms, partly because of production shortages, and partly because of production delays. For example, the car has not been set up to say Mr. Qvale, admitted was the management's fault.

The loss of these sales—and Jensen claims could sell anything it could at present—has deprived the company of cash at a moment when it was owed to creditors, and it is now three out of five years in profit. It is trading at a substantial loss, production is running at a week (against 130 Healeys at the peak), and the company is against mid-1974.

The question now is if specialists can find a way to the future. Some commentators argued that the way to reduce in-house manufacturing to a minimum, but engines and major components are concentrated on assembly work. Jensen became the archetype approach, buying its 7 Interceptor engine from Chrysler, and its 2 H sports car from Lotus, but failed.

Aston Martin, under ownership, is reluctant to its craft traditions, product based on in-house manufacturing. Own body building, it will be interesting whether its highly-priced (the V8 sells at £12,000), and the Lagonda at £12,000), can stand up to the competition from producer made in semi-product conditions such as 1 under £3,000.

# \$ deal saves Olympic TV

BY ARTHUR SANDLES

BRITAIN will get its promised 170 hours television coverage of the 1976 Montreal Olympic Games for £500,000 as a result of a series of face-saving manoeuvres by both sides in the pay \$50,000 and African countries will get the television rights for \$50,000, bringing the real total to \$100,000.

The final—perhaps inevitable—solution followed a whirl of corridor diplomacy after which the parties agreed and signed a true sportsman's deal.

In essence the key rested in one fact—the falling value of the Canadian dollar. By offering to pay \$U.S.250,000 instead of \$U.S.500,000, the Canadian authorities were able to tell themselves they were moving the same while telling the Canadians they were paying more.

Last night the Canadian dollar closed at 27.4 U.S. cents. There were a few additional

well have been that nearly half this sum will be paid in October this year, giving the Montreal Olympic Committee an opportunity of earning perhaps \$250,000.

The conversion from U.S. to Canadian currency, the extras and the interest should together bring the total to around the \$10m. which Montreal recently hinted it would be willing to accept, as against the \$10m. which was the asking price two months ago.

Leading negotiator for North American world Charles Curran, director of the BBC. He was delighted that the whole was settled when he the details last night.

# More changes to Land Bill

MORE amendments to the Land Bill were yesterday by Mr. John Minister for Planning. Government, at a meeting local authority associations will be issued with the proposals.

The main amendments so far have been to the Bill, which was the asking price two months ago.

# Traffic jam query on Concorde range

AS CONCORDE ended its 325,000-mile flight endurance programme yesterday, the anti-Concorde lobby in the U.S. launched a new attack in the wake of a Federal Aviation Authority report which claimed it might not retain enough fuel after flying the Atlantic to circle New York's Kennedy Airport during traffic jams.

The Agency also claimed that Concorde's smoke emissions were significantly higher than the Environmental Protection Agency's proposed standards. The aircraft is now to be prepared for service with British Airways early next year.

# Decline in port traffic

BY JAMES McDONALD, SHIPPING CORRESPONDENT

NATIONAL Ports Council statistics, published today, confirm a decline last year in the volume of total traffic through British ports — at 367.7m. tons, about 9.5m. tons or 2.6 per cent below 1973's record total.

The NPC has already forecast that the decline this year will be considerably greater.

In addition to a drop in petroleum traffic over the year of 5.6m. tons to 236.5m. tons, there were falls of 3.7m. tons (5.8 per cent) in basic materials and of 1.2m. tons (4.1 per cent) in foodstuffs.

Tonnages of manufactured goods and coal however, in-

creased respectively by 1.1m. give tonnages excluding fuel (2.4 per cent) and 0.3m. tons (1.8 per cent).

Last year, 15 years after the decision to establish Milford Haven as a major oil terminal, the port had a higher throughput than any other U.K. port, overwhelmingly in crude oil and refinery products.

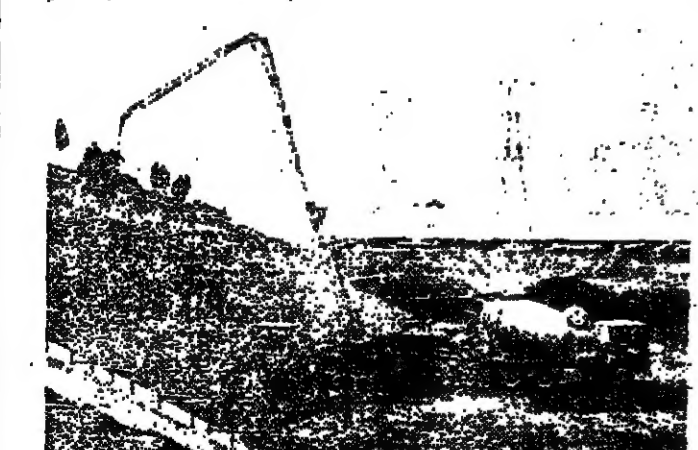
In sheer tonnage, it led the table in throughput with 59.5m. tons — only 20,000 tons being cargoes other than fuel.

In terms of both general cargoes and fuel combined, London remained by far the dominant port. The table shows tonnages through major ports last year. Figures in brackets

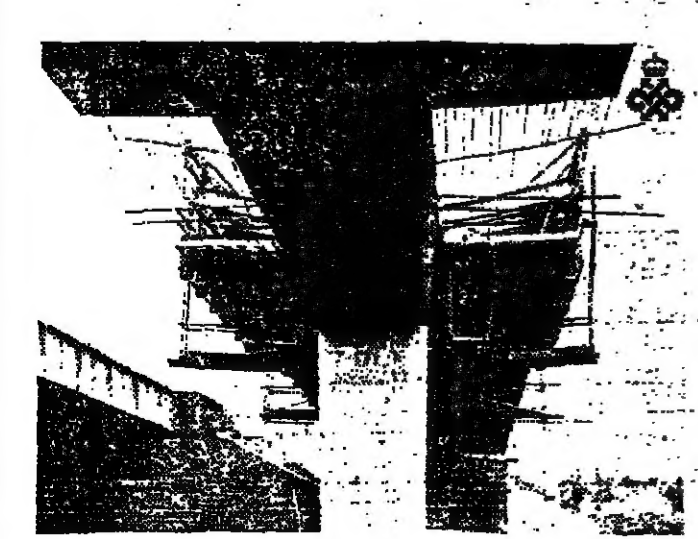
London, W.C.1, £10.

Port	1974 (m. tons)	1973 (m. tons)
London	62.2 (18.0)	57.8 (16.2)
Liverpool	32.8 (10.2)	32.8 (10.2)
Southampton	22.8 (7.3)	22.8 (7.3)
Tees and Hartlepool	25.0 (8.2)	25.0 (8.2)
Medway	24.6 (7.3)	24.6 (7.3)
Immingham	21.2 (6.3)	21.2 (6.3)
Clyde	17.4 (5.3)	17.4 (5.3)
Manchester	15.2 (4.6)	15.2 (4.6)
Forth	9.8 (4.2)	9.8 (4.2)
Swansea	6.4 (2.3)	6.4 (2.3)
Hull	5.8 (2.3)	5.8 (2.3)
Cardiff	5.6 (2.3)	5.6 (2.3)

"Your company is in a strong financial position backed by a competent team at all levels" — R. M. Douglas, O.B.E.  
Chairman of Robert M. Douglas (Contractors) Limited.



Concrete Pumping in Bridge Construction, M42 Motorway for Midland Road Construction Unit, Department of the Environment. Main Contractor, R. M. Douglas Construction Limited. Concrete Pumping Service: Douglas Plant Limited.



Edge Coping Shutter and Traveller to construct parapet to the cantilever deck of the North-Aberavon Viaduct for Welsh Office Roads Division. Formwork Designed and Supplied by: Rapid Metal Developments Limited.

The Annual General Meeting will be held on 28th October, 1975 in Birmingham. The following are extracts from the statement circulated with the Report and Accounts for the year ended 31st March, 1975.

The results confirm the confidence in our continued development expressed in my statement last year. Despite difficult trading conditions, turnover at £65.4 million shows an increase of 43% and the trading surplus is £3,494,955 compared with £3,005,216.

A final dividend of 2.35092p per share is recommended making a total of 3.177795p which is the maximum permitted. But for Government constraints a higher dividend would have been recommended.

All divisions have again contributed to the further progress made during the year. This expansion enabled us to meet the inevitable increase in costs which result from uncontrolled inflation.

The main contract for the construction of the new National Exhibition Centre in the West Midlands is nearing completion and we confidently anticipate handing over this £22 million project within the original contract period. This is an achievement of which we are justifiably proud and credit is due to all concerned therewith.

The company is in a strong financial position, backed by a competent team at all levels and I am confident of the strong determination which exists to continue our progress in whatever fields may be open to us. In the present economic climate however it would be unrealistic to expect anything but difficult trading conditions in the current year.

I am pleased to announce the appointment of Mr. John Douglas as Deputy Chairman with effect from 1st October, 1975 and he will also succeed me as Managing Director on 31st March 1976. Mr. Cyril Marjoram will become Deputy Managing Director on the same date. I will continue as Chairman.

Following increasing development of our activities in branches of the construction industry other than contracting, the Board will recommend a change of name to Robert M. Douglas Holdings Limited at the Annual General Meeting in October.

Copies of the Report and Accounts may be obtained from The Secretary, Robert M. Douglas (Contractors) Limited, Birmingham B23 7RZ.

**DOUGLAS**

PROGRESS OF THE GROUP DURING THE PAST FIVE YEARS					
Year ended 31 March	1971	1972	1973	1974	1975
Group Turnover	25,197,000	24,050,000	31,520,000	45,783,000	65,436,000
Profit before Taxation	1,042,529	1,146,286	1,870,826	2,357,407	2,657,071
Taxation	414,669	495,409	685,400	1,248,031	1,444,993
Profit after Taxation	627,860	650,877	1,185,426	1,109,376	1,212,078
Net Cost of Dividends	281,345	287,223	227,628	333,346	227,325
Profit retained	346,515	363,654	957,798	776,030	984,753
Depreciation	620,382	652,690	718,286	806,218	955,357
Capital Employed	5,053,206	5,508,794	6,767,312	8,089,368	10,228,337



National Exhibition Centre, Birmingham  
for National Exhibition Centre Limited  
Project Manager for N.E.C. Limited: Francis C. Graves, F.R.I.C.S.  
Architects for Design Co-ordination and Site Planning: R. Saffert & Partners  
Architects for Exhibition Buildings: Edward D. Mills & Partners  
Architects for Landscaping: City of Birmingham Architects Department  
Consulting Engineers: Ove Arup & Partners  
Quantity Surveyors: L. C. Wakeman & Partners in Association with Francis C. Graves & Partners  
Main Contractor: R. M. Douglas Construction Limited

هكذا من الأصل





"From now on we're really stamping on personal phone calls."



"Staff are being asked to use public transport whenever possible."



"Anyone using the copying machine will have to sign a little book."



"We're reducing the heating by 5 degrees."



"I've sent a memo telling people to use both sides of every piece of paper."



"All but urgent mail will go by second class post."

## Are you watching the pennies and letting the lbs look after themselves?

Times, let's face it, are hard.

Even the most profitable companies are tightening their belts.

People are naturally making all the economies they can. The trouble is that many of them produce relatively small savings. Whilst bigger things are escaping notice.

Like distribution.

About £4,000 million a year is spent moving freight round this country. Of which, a recent survey estimated, about £1,000 million could be saved.

Yet few companies know their distribution costs. Only a fraction think enough of the subject to have it represented on the board.

Now, no one outsider can put things to rights overnight.

But what we can do is to suggest certain practical steps that you should take.

Let our 100 depots and 7,000 vehicles do your running around. Use some of our 3½ million square feet of warehouse space as and when you want it.

If you have deliveries for which you need a very high level of reliability, then use our Medallion service, which promises to get the goods there within three working days or you pay nothing.

We can handle your distribution right the way through from the end of the production line to your customer. We can even handle your exports. If you want to know more about how we can help you, just fill in the coupon.

\*Uniteha Consulting Group, National Service of Freight Distribution Management.

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**National Carriers**  
MEMBER OF THE NATIONAL FREIGHT CORPORATION

To: David Green,  
National Carriers Limited, NCL House,  
21A John Street, London, WC1N 2BX

Tell me how I can put my  
distribution right.

Name

Position

Company

Address







هڪڙا مني اصل

# The best way to find out about an airline is to ask the people who fly with it.



Our flight with PIA was almost as enjoyable as the rest of the holiday and that's saying something!



پي آئي اے کے طیارے پر قدم رکھتے ہی یوں لگتا ہے جیسے میں اپنے گھر آ گیا ہوں۔ ہر لباس کے مشال سے لیکر راولپنڈی کے نواح میں میرے گھر تک کے سفر کے سارے اہم کامات پي آئی اے کے کرتے ہیں۔



On my last flight with PIA to London, it was vital that I finish some documents before we landed. PIA alerted their staff and, apart from meal-times, I was not unnecessarily disturbed during the flight. They also booked my hotel and arranged a hire car. That's what I call service!



La prima volta che volai da solo fu su un aereo della PIA. Non ebbi paura, tutti erano così gentili con me. Quasi mi dispiacque lasciarli alla fine del viaggio.



سب سے پہلے میں نے پتہ کیا کہ میں کتنی آرام سے سفر کر رہی ہوں۔ ہر لمحہ میں نے محسوس کیا کہ میں اپنے گھر میں ہوں۔ ہر لمحہ میں نے محسوس کیا کہ میں اپنے گھر میں ہوں۔ ہر لمحہ میں نے محسوس کیا کہ میں اپنے گھر میں ہوں۔



When we flew PIA to Bangkok, it was Tim's first time in the air. I needn't have worried though, he loved every minute of it. The PIA air hostesses were so kind and attentive to him - and everything I needed was laid on. It was a lovely flight. Thank you.



I had a recurrence of a childhood illness on a recent PIA flight. I informed the air hostess and a doctor was waiting at Cairo airport the moment the plane landed. I was able to continue the rest of the journey in comfort.



PIA sait très bien lorsqu'il faut vous laisser tranquille. J'ai dormi sans être dérangé de Paris au Caire et j'ai à peine remarqué l'escalade de Francfort.



We found the PIA air hostesses most charming. The new uniform really suits them - it's as colourful and attractive as they are.



Ich bin Journalist und oft beruflich im Fernen Osten. Dank PIA komme ich fast immer rechtzeitig zum Redaktionsschluss an. Das Flugnetz umfaßt - bei guten Verkehrsanschlüssen - alle Hauptstädte des Fernen Ostens, einschließlich Peking.

Take a 'plane load of PIA passengers and you've got a very mixed crowd. They are people from many nations with many different reasons for flying PIA.

So if you want to know about PIA, ask them. We do. Through comment cards we give to our passengers on all our flights.

Even their numbers speak for themselves. In 1974 PIA flew over a million passengers to four continents - a substantial increase over the previous year. No mean achievement at a time when the air transport industry in general is facing a very difficult period. And that's just half the story.

We've set ourselves standards as high as any in the airline business. And earned ourselves an enviable reputation for service. On the ground and in the air. It's all part of being great people to fly with.

Certainly our passengers think so and above are the kind of remarks they make.

# PIA

Pakistan International Airlines  
Great people to fly with.







# How much has Dunlop made for Britain so far this year?

**Midland Bank Limited** 31st July 1975 40-06-10

Pay Britain or order

Four million one hundred thousand £4,100,000

pounds only

DUNLOP

#573051# 40 1840 00643912#

Was it this much?

**Midland Bank Limited** 31st July 1975 40-06-10

Pay Britain or order

Five million one hundred thousand £5,100,000

pounds only

DUNLOP

#573052# 40 1840 00643912#

Was it this much?

**Lloyds Bank Limited** 31st July 1975 30-97-78

27-24 PAY Britain OR ORDER

Seven million one hundred thousand £7,100,000

thousand pounds only

DUNLOP

#30 00 01# 134 9527#

Was it this much?

**Lloyds Bank Limited** 31st July 1975 30-97-78

27-24 PAY Britain OR ORDER

Ten million two hundred thousand £10,200,000

pounds only

DUNLOP

#30 00 02# 134 9527#

Was it this much?

**BARCLAYS BANK LIMITED** 31st July 1975 20-71-84

Pay Britain or Order

Eleven million four hundred thousand £11,400,000

pounds only

DUNLOP

#114121204554# 103-5755#

Was it this much?

**BARCLAYS BANK LIMITED** 31st July 1975 20-71-84

Pay Britain or Order

Thirteen million six hundred thousand £13,600,000

pounds only

DUNLOP

#114121204554# 103-5755#

Was it this much?

No. It was all of them put together. Between Jan 1st 1975 and July 31st 1975, Dunlop exports totalled £51,500,000. That's 30% up on last year. £4,100,000 for aviation equipment. £5,100,000 for fire fighting equipment. £7,100,000 for sports goods. £10,200,000 for industrial hose. £11,400,000 for tyres and £13,600,000 for the other Dunlop products.

**DUNLOP**



## FINANCIAL TIMES REPORT

Tuesday, September 16 1975

## Northumberland

Last year's reorganisation of local government took nearly half the population of Northumberland into the new county of Tyne and Wear. But the main issues facing the county are still unemployment and rural depopulation.

NORTHUMBERLAND IS a county of sharp contrasts. It is one of the largest counties in England and Wales and one of the least populous. It contains the vast grandeur of the National Park, ancient monuments like Hadrian's Wall, a string of famous castles, rich farmland, and thickly wooded forests as well as the industrial beehives of North Tyneside.

Local government reorganisation last year accentuated the contrasts as well as the problems. For the main objective of reform was to create viable local government units based on the "economies of scale," the result achieved in Northumberland was exactly the opposite.

The 3 per cent. of the land area lost to Tyne and Wear metropolitan county included some of the Newcastle suburbs, the popular seaside resort of Whitley Bay and the new town of Killingworth—a total population of 230,000. It represented a rates loss of £20m. a year to the county; but it still left a land area of 1,244,000 acres with only 285,000 people to inhabit it.

Nor has it alleviated to any great extent the twin problems of the county: unemployment in the thickly-populated south-east corner where it reached 13.5 per cent. among men in Blyth Valley in July; and rural depopulation in the districts of Alnwick, Berwick-on-Tweed and Tyneside where density per 10 acres is one person. (It contrasts with 38 in Blyth Valley and 39 in Wansbeck, the two largely urban areas with 45 per cent. of the county's population.)

No wonder then that the long-term structure plan which is being prepared by the county council and which is to be published in about two years' time will make a sharp distinction between the two sets of problems; and that it has seen fit to produce interim plans on rural industrial development as well as on transport well ahead of the publication of the main proposals. The consequences for the county council—of local government reorganisation were made no easier by the subsequent cuts in public expenditure imposed by central Government.

## Imposed

Hardly had the council come to terms with an increase in its gross expenditure for 1975/76 limited to 1.5 per cent. when Chancellor Healey's July measures imposed a nil growth. Its implications are still being digested by the council; but it seems most likely that essential items such as education (which comprises over 30 per cent. of the total budget) and roads will suffer.

The only sector which is certain to escape cuts is land purchase. This is not only because it affects contracts already signed, but also because land purchase has been one of the vital factors in the financing of Cramlington new town, the county's principal point for both population and the attraction of new industry.

The development of Cramlington by a triumvirate of partners consisting of the county council, Blyth Valley district council and two local builders is a fascinating story.

Cramlington, within easy travelling distance of both Newcastle and the regional airport, with a nearby port outlet at Blyth, has grown from a small, scattered village to a town of 22,000 in a matter of 11 years. It has a population target of 30,000 jobs as the "nil-growth" directive.

As already mentioned, the contribution to the school building and improvement programme serving 53,000 pupils is almost certain to suffer. As for its five-year transport plan, the county council has a significant factor in enabling the already budgeted for both a

lower "base programme" and a more costly "preferred programme," the former totalling £25m. the later £31m. But in view of the Government's transport supplementary grant of only £1.5m. (£1m. less than expected by the council), the 1975-1976 expenditure on transport will be only £5.8m. taking account of inflation, or £1.2m. less than originally planned.

Nevertheless, the plan makes it clear that the county's long-term strategy for transport remains. The more than 3,000 miles of highways which are a lifeline not only for industry and agriculture but also for the important tourist industry, are planned to absorb £22.4m. of the total £35m. projected over the next five years (figures at November, 1973, prices). Of this, highway maintenance

and lighting would amount to £16.2m. and major highway improvements to nearly £3.5m. (The sum takes no account of trunk roads such as the A1—the main North Road—the A69 and A696 and for major regional roads such as the A68.



## Twin problems remain

This Report was written by ANDREW HARGRAVE

The cuts in public expenditure are to affect the programme in various ways. Projects between towns and town centres may be deferred while priority is to be given to "traffic management." The latter will include more off-street car parking in towns combined with realistic charging policies. Priority to road improvement schemes designed to reduce accidents. Any finance towards major road improvements and new roads will aim at improving links between existing or already committed high-quality employment at reasonable levels, its significance in the county council's anxiety to preserve its transport programme as much as possible is understandable as communications are vital to its promotion in the south-east corner of the county is numerous services—including the bus and rail transport—achieving a healthier economic activity through the county.

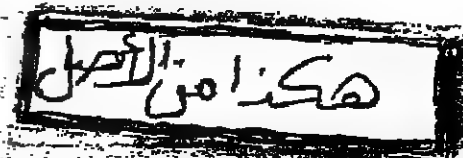
**Northumberland**  
presenting a good case for  
expansion-minded  
industrialists

Northumberland. The 'new' county, big in area, with names to match: Expanding their markets from a county where there's plenty of room to grow.

Only 50 minutes from London by air (six times a day). Three and a half hours by train. A good place to work. A good place to get to, and from. And to live in—over four fifths of the county is rich countryside. For expansion-minded industrialists Northumberland presents a case worth looking at.

For full details contact John Lodge, County Planning Officer, Northumberland County Council, County Hall, Newcastle upon Tyne NE1 1SA. Telephone: Newcastle (0632) 26613. Telex: 537048.

A member authority of the North of England Development Council.





# Unemployment worries

EVEN IN its truncated size, the July unemployment figures were certainly a reminder that the pace of replacement of income for a large proportion of its working population. The problem has been similar to the rest of Northern England—or indeed Scotland and South Wales—that of replacing employment lost in coal mining and heavy industries.

Contraction in mining has been especially worrying in north-east Northumberland where two districts—Wansbeck and Blyth Valley—house nearly 30,000 people or 48 per cent. of the county's total population. Since 1957, the number of pits in the county have dropped from 57 to 12 and the number of miners from 42,000 to around 10,000.

Yet the National Coal Board still by far the largest single employer in the county, with one large modern pit alone—Lynemouth/Ellington—employing 3,000 men to produce 2.5m. tons of coal a year. The presence of large coal reserves was certainly a major factor in attracting to Blyth the aluminium smelter which actually lives outside it.

Another was the port which has been dredged to handle 22,500 tons of coal a year. The dredging is expected to increase its labour force of 1,400 by 300 over the next five years.

Several "multi-nationals" including Burroughs and Ronson from the U.S., are represented at Crumlington alongside such well-known British names as Searle, Glaxo and Wyeth. Ronson has just extended its plant from 110,000 sq. ft. to 160,000 sq. ft. with the addition of nearly 300 jobs.

Another major expansion in the county is the new aluminium smelter at Blyth, which has been approved. Blyth's shipments may once again be an upward turn. The source of oil prices have certainly been local miners, both by management and the union, new.

Nevertheless, the anxiety of finding jobs (due partly to the fact that the county's population is never far from the minds of the North-eastern local authorities. We have to run pretty fast to and still," commented one of the Development Commission staff.) are, of course, anxious to

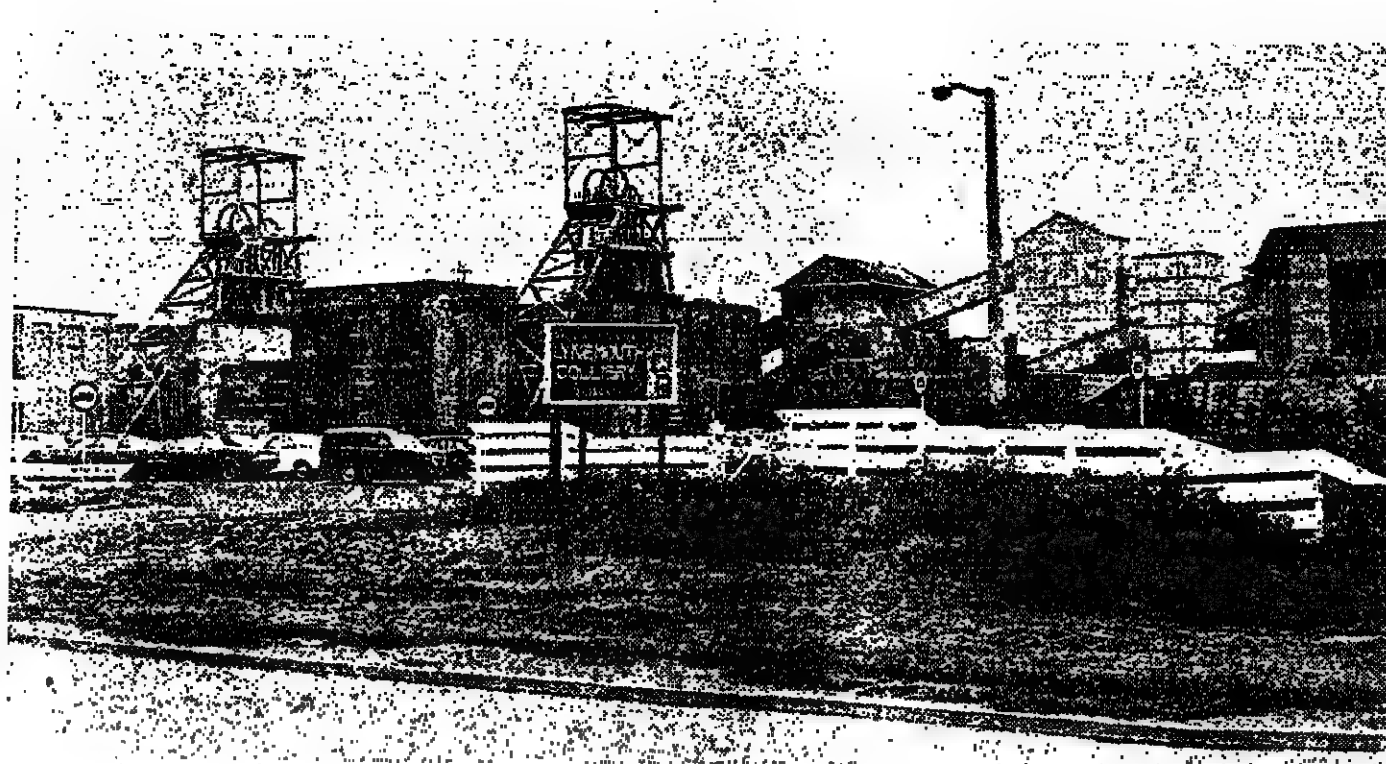
## Expansion

The remarkable exception to the general unemployment trend is Crumlington, the new town west of Blyth, which is Northumberland's major industrial growth point. The town has a population of around 22,000 and employment at the end of last year totalled 9,566 people, 3,061 of them in manufacturing industry. About 70 per cent. of all jobs were for men; and the prospect of a further 1,493 jobs has been envisaged by the end of 1976, with over 1m. square feet of new factory space under construction. A recent survey estimated that over 6,000 people were working in the town, or 84 per cent. of the population. This, the survey says, "is due largely to the role of Crumlington and the unique way it has been developed." Also, manufacturing employment more than doubled in the three-and-a-half years between June 1971 and December 1974.

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Lynemouth Colliery

promote development throughout the county, including the under-populated rural areas.

While the majority of Government and county sites of 10,000 sq. ft. to 25,000 sq. ft. in size, for factory development are in Crumlington, the largest single land area available for development is the 800 acres at Cambois, on the coast in the Wansbeck district. It already houses the large Glaxo pharmaceuticals factory. Two other companies, including a Danish one which intends to build an iron foundry, have applied for planning permission, with the prospect of more than 1,000 new jobs.

At the North Seton and Jubilee (Ashington) estates, also in Wansbeck, two more advance factories are under construction, with a third one recently announced. An advance factory is also being built at Blyth. There the 567.5m. aluminium smelter, the Canadian aluminium major, reached full production in July, 1974, after a delay of two years owing to strikes on the building site and a further two years and four months of running-in.

The smelter, one of the three major new smelters in Britain, is now running at only 80 per cent. of its annual capacity of 120,000 tons of ingots because of a work-to-rule in March this year but also because of the world-wide recession in aluminium.

The company appears to have succeeded in keeping air pollution to the minimum by spending £4.9m. on prevention. An independent investigating team monitoring possible pollution, the company claims, has reported virtually no atmospheric changes since the smelter came into operation.

Another sizeable investment by Alcan was in Blyth harbour where £2.5m. was spent on installations which handle around 200,000 tons of alumina and 75,000 tons of petroleum coke a year. The larger part of the 500,000 tons of non-coal cargo being handled in the port has been diversified into paper and board, grain, chemicals and other products in the past ten years and the port is now also equipped with container-handling facilities as the first stage of a plan for a container roll-on roll-off terminal.

Regular sailings include a fortnightly service to and from Finland for forest products and a monthly one to the Faroes with general cargo. Other new industrial developments in south-east Northumberland include an expansion of the £10m. Kimberley-Clark paper tissue mill at Prudhoe to add 30 to the existing staff of 670.

## Growth

Meanwhile, as already indicated, the county council has published its interim review statement on industrial development in rural areas in an effort to stem depopulation. In the north, Berwick-on-Tweed is also being helped by the Development Commission and the Eastern Borders Development Council whose brief covers the eastern parts of the Scottish border region as well. Programmes covering the next three to four years are being started by the county's rural industrial development committee, with the market towns of Alnwick, Morpeth, Amble, Hexham and Haltwhistle (as well as Berwick) designated as the main growth points.

The statement recommends that the whole of the advance factory programme for these areas should be co-ordinated by the Development Commission and warns that in view of the difficulties experienced in land purchase, the county and the four district councils should be prepared to exercise compulsory purchase powers to avoid further delays.

The weapons at the county's disposal to fight unemployment, and depopulation and a deteriorating age structure in the rural areas include the whole battery of development area benefits, with the slightly higher special development area incentives applying in south-east Northumberland. But these benefits are reinforced by local initiative which is spearheaded by a whole section in the county planning department led by a senior official and devoted to the attraction of new industry and the servicing of existing ones. The county is also represented on the NEDC and its trade missions which have recently ventured as far afield as Brazil and the Middle East, with further ones being planned to Iran, Nigeria and Japan.

# A strategy for development

WHEN in the early 1960s it too well in Northumberland. The same Act also enabled

the county's economic base would change as a result of run-down in mining and, to lesser but still significant extent, in heavy industries. The county council was faced with the choice of allowing Northumberland to be reduced to a rural tourist area or park or a policy of rapid reclamation and modernisation.

Having opted for the latter, the county found the 1963 Bill that all financial responsibility for the regeneration, including guaranteeing a

of North-East England a venue had to be accepted. Thus the creation of "growth points" in infrastructure improvement

including a viable communications network and buildings. Mr. William Leech, chairman of the council, and Mr. John Bell offered to the county the private sector development if the services were provided by the local authority. A partnership

value as the most effective ties involved. So a partnership with points of the council deal was struck between the county and setting up two, at county council, Seaton Valley, Crumlington, and Killingworth, (now Blyth Valley) district, both small villages on the council and the builders, the county would buy and prepare

land for industrial development as well as provide its share of the services, the district would provide more services as well as council housing, and the private builders would build houses and commercial premises for sale.

To avoid financing of the new kind. That all three towns becoming a burden on the county, the county devised a five-year land purchase to fit in to have made no difference to the Government plan, though it did not go down existing Town Development

half the drainage costs being met by the Government, which meant that the county council, which has already spent an estimated £3m. on the land purchase, schools and some of the basic services has managed to balance its accounts by borrowing on the one hand and profit on the other of leasing of land to industry. Including the English Industrial Estates Corporation as well as private industry on the other.

Killingworth, the smaller township in the Longbenton district north of Newcastle, has now become part of the Tyne and Wear metropolitan area. But the economic value of Crumlington, with an existing population of 22,000 and a target of over 60,000, has become all the greater to the county owing to local government reorganisation and the loss of 230,000 of its population, leaving only 285,000 people for a land area which is among the largest for local authorities in England.

Crumlington has been a notable success in terms of its own inhabitants but for the thousands coming in from the outside. It also has for a new town, uncharacteristically large proportion (about 80 per cent.) of owner occupiers or (to a lesser degree) members of the North of England Housing Association—which, of course is one of the consequences of private developers being involved.

Altogether the county plans to invest at least £7.5m. in Crumlington over the next 10 years. So far investment is estimated at well over £20m. The pace of further progress will, however, depend on the application and interpretation of the Community Land Bill, now passing through its stages in the Commons: for Northumberland is in the probably unique position among local authorities of being in the speculative land business.

Another problem likely to arise will be the establishment of a democratic base for the new town which is administratively part of the county and of Blyth Valley district. Although it has a lively community association, its rapid growth seems to call in the fairly near future for a more formal type of representation from the citizenry of Crumlington.

On the other two main supports for the reconstruction of Northumberland—communications and land reclamation—progress has been reasonably satisfactory up to now, though the restrictions on public expenditure are bound to slow it down in the next few years. The Tyne Tunnel, its links with the main arterial roads and the "spine" road connecting it with centres such as Blyth, Ashington, Bedlington and Beaton Burn, Wideopen and Morpeth, has been completed; but the final part of the road

strategy, a peripheral are route west of Newcastle linking the A1 main road with the A69 to Carlisle and the M6 and the A696 to Ponteland and Carter Bar is still to be carried out.

An essential segment of the county's strategy is the network of direct routes from the main population centres in the county to Newcastle regional airport which has been completed in most parts; but, as the county's transport plan already referred to points out, public transport—particularly vital in the sparsely populated rural areas—leaves much to be desired.

## Reclamation

The county has also prepared a plan for the reclamation of 7,700 acres of derelict and despoiled land, the largest part comprising pit heaps and excavations. The report published a year ago, shows that 1,740 acres had already been reclaimed (the reclamation of a single complex at Ashington is estimated to have cost around £2m. so far) and nearly 500 further acres were being treated.

As the report says, the Ashington project, one of the largest reclamation schemes in Britain, will remain the county's major commitment in this field up to 1979/80. But it is not the only one. Other schemes are under way or are

being prepared at Amble, Berwick, Wylam, Prudhoe, Craster and Cawfields.

Reclamation does not only improve the "image" of the county but is a considerable incentive to the expansion of tourist trade. It is difficult to establish to what extent Northumberland is a tourist centre of just a transit to tourists on their way to Scotland. But in any case, the Northumbria Tourist Board took advantage of the Government's recently ended hotel development and other schemes, particularly to support major tourist attractions such as the National Park, the Roman Wall, the castles and the other parks and woodland with the necessary tourist facilities, including hotels, car parks and information centres.

Economic growth, communications, land reclamation and rural regeneration are all part of Northumberland's strategy to raise standards in both prosperity and services in an area which in many respects has been among those lagging behind the southern half of Britain. That is why the restraints on spending imposed by Government policy are bound to have a more serious effect in Northumberland than elsewhere, for there is more leeway to make up.



## In the Service of Medicine

Searle's ultra modern factory was established at Morpeth in 1969 on a 28 acre site and now employs over 400 people.

A large extension has recently been completed and is now in use.

This plant is one of the key manufacturing units in the international organisation of G. D. Searle & Co., a leading U.S. pharmaceutical company, and as such is a supplier to many countries.

SEARLE Searle Laboratories

Whalton Road, Morpeth, Northumberland

There's more than meets the eye in

## Northumberland



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## LIVE AND WORK

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**FOR THE INDUSTRIALIST**—A superb development area, full Government grants, industrial sites available and fully serviced. Nursery factories, excellent communications, local authority housing available, with an expansion programme for the future.

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For further particulars please contact

Mr. P. W. Ferry, Chief Executive, Borough of Blyth Valley, Council Offices, Seaton Delaval, Whitely Bay, Tyne & Wear. Tel: 0632 480780.

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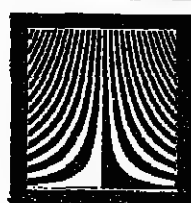
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New housing at Crumlington.





# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHÖETERS

## PROCESSING

### Push-button pattern making

GRAPHIC conversion from an artist's sketch to the full size "long film" for engraving, has been speeded up from weeks of manual work to two-three hours with the SCI-TEX System Response 200, from Israel.

Applicable to printing in textiles, wallpaper, flexible decorative foil, packaging and many other fields, the Response 200 will scan up to 12 colours and allow editing and selection of the colours and design. It will finally separate each colour to produce the black/white long films used for engraving, through an electronic laser camera. The films are then used in the preparation of galvano and lacquer rotary screens, flat screens, roto-gravure and roller cylinders.

The entire system comprises the SCI-TEX scanner, a central processing computer, a magnetic tape and disc memory for designs and colours, a colour design console incorporating a colour TV screen, electronic stylus and manipulation controls; next to this are the command display terminal and the electronic laser camera.

The design can be manipulated to place it on repeat, square set, half drop or irregular drop. Colours can be accentuated to locate and isolate geometric

and colour faults. By using the electronic stylus details can be added or deleted, design portions can be marked, the pattern can be zoomed up or down and rotated, as required. Substitute backgrounds and design details can be recalled from the computer memory to be superimposed on the television screen. Colour areas can also be overlapped or underlapped.

Also available on this system is a time sharing facility so that film exposure can take place at the same time as work on another design.

Further information from West Bridgford Machine Co., 4 Wilford Lane, West Bridgford, Nottingham NG2 7QX. (0602) 889618.

### Cheaper thin wall small tube

ELLAY ENFIELD Tubes (EET) has commissioned a plant at Workington, Cumbria, to manufacture thin-walled tubing of copper and aluminium and their alloys.

A number of printers in the United States are already using plastic plates and reports indicate that reproduction does not suffer.

Introduced to the U.K. by sole agents Funditor is equipment designed for the automatic processing of plastic plates. Two machines are available: the model SP (single plate) which will process 70-100 photopolymer plates per hour, and a dual plate machine, model DP, which will process twice as many in the same time. Maximum plate size in both cases is 18 inches x 24 inches (457 x 610mm).

Funditor (Lamson Group) is at South Way, Wembley, Middlesex HA9 0RE. (01-802 3032).

## POWER

### Boiling bed burner cuts out sulphur

FLUIDISED combustion steam and power generation plant combining efficient fuel usage with environmentally clean operation, and a saving in capital cost, will shortly be available following an agreement between Babcock and Wilcox and Combustion Systems to develop and commercialise British expertise in this field.

Babcock and Wilcox design and supply plant for generation

of steam and power, while Combustion Systems is a fluidised combustion development organisation formed by the National Coal Board, British Petroleum, and the National Research Development Corporation.

The new organisation will give potential customers access to the research facilities of the laboratories associated with Combustion Systems—such as the British Coal Utilisation Research Association, the NCB Coal Research Establishment and the BP Research Centre—together with the engineering expertise of Babcock and Wilcox, which has completed commissioning at its Renfrew works a cross-type water tube boiler converted to fluidised combustion.

This boiler, which produces 45,000 lb steam/hr, using a ten foot square bed, will be used for both demonstration and experimental purposes. It is designed to burn both solid and liquid fuels, and has facilities for sulphur retention during combustion.

It is estimated that both capital and operational savings of over 10 per cent. could be achieved with fluidised combustion steam raising for power generation. Although some work has already been carried out in Sweden and interest in the U.S. is understood that the Central Electricity Generating Board has no plans for a future station using fluidised combustion.

## METALWORKING

### Capstan fed circular saw

BY ADDING a capstan feed to a front cutting traversing circular saw, large sections and solids can be cut manually with little effort, says Sawtech Channel, Westfields Road, London W3 0RE (01-993 0811), introducing the Geco 409 saw which uses this method.

It is claimed that there is no sacrifice of the benefits associated with cold circular sawing of speed and precision with a clean burr-free cut. The cutting head is mounted on twin slides and connected to the capstan feed by a rack and pinion. Three lever-selected speeds enable a range of materials to be cut, including tough alloy steels. Horizontal and vertical clamps secure the workpiece and, for more cutting, the head can be rotated.

Maximum capacity is 144 by 4 inch sections, 144 by 4 inch solid and 51-inch O.D. rounds—typical performance is 21 seconds to cut a 3-inch diameter steel bar. There is a semi-automatic version with hydraulic cutting head feed and hydraulic clamping.

## AUTOMATION

### Reproduces coinage dies

AUTOMATIC reproduction of relief, medal, seal or coinage dies can be carried out on a die reducing machine made by EVD Engineering, Cotswold Street, West Norwood, London SE27 0DP (01-781 1211).

Called the Type 712, it is an engraving machine of the three dimensional pantograph type (like its predecessor the Type 711), but with improvements in the setting arrangements and control. In addition, the introduction of solid bearings and a new down feed are said to give versatility, improved definition and increased productivity. The machine is now capable of generating exact 1:1 facsimiles of existing dies. Cambering facilities are available as an option.

It will accept models from 38 to 400 mm. dia. Reductions in metal or epoxy resin between 300 and 40 mm. dia. can be obtained from the 400 mm. dia. model, and from 19 to 3.8 mm. dia. from the 38 mm. dia. model. Relative relief can be increased by 33.3 per cent., or reduced by 50 per cent. Reverse engraving can also be achieved, for example, incuse from relief and vice versa.

## COMMUNICATIONS

### European data net takes shape

INDICATIONS are that the final Euronet implementation study report is soon due, and that the final recommendations will be substantially as in the interim draft report prepared earlier this year.

Prepared for the EEC Commission by Pandox, EV, Holland, the report includes a timetable which indicates that the basis of the organisation for the pilot stage should start being laid down from this month onwards. The first stage, a three node network, is to be up and running in little over a year, by October 1976.

This seeming haste has a reason. Euronet is meant to establish a direction for network communications in Europe before the Community becomes so cluttered up with networks of differing designs that common solutions become difficult to enforce. The report lists more than 20 networks, some purely European, others in part covering Europe, at long range or other creation, few of which are directly compatible with one another.

Euronet is to be primarily a user-to-user facility network, not computer-to-computer. The study indicates that by the end of the third phase (1980) the network is to be based on an existing design, the French Cytelade/Cigale. Euronet will be packet switched.

The first three network processors will be French MITRA 154 installed at Frascati, Paris, and at two other sites. The second three will be French MITRA 154 installed at Frascati, Paris, and at two other sites. The third three will be French MITRA 154 installed at Frascati, Paris, and at two other sites.

As important, Euronet is meant to be a tool of research for EEC policy-makers. The EEC is trying to establish a European data network, particularly in the area of European countries, and the British PO's EPSS. The document makes it quite clear that Euronet is to be considered a European-wide service, not a national one.

To achieve the rapid rate of installation, network processors for the public services of

## COMPUTING

### Cooks use U.K. mini dealer

THOMAS COOK has placed an order worth over £300,000 with the U.K. mini dealer, Systems for the Comet foreign exchange system.

This will bring the total number of equipments installed by Thomas Cook to 94 from around 50 at the moment.

The system is British designed and made, and believed to be the most widely used, dedicated foreign exchange system in the world.

Based on a Comet mini-computer which, in the Thomas Cook application controls up to eight terminals per processor, it is designed to handle the complete foreign exchange business in any Thomas Cook retail office.

With set and variable rate and commission facilities, the system will calculate, print and record foreign exchange transactions in the currencies of 170 countries. Foreign currencies, travellers cheques, drafts, transfers and inter-office accounting, required.

### Sorts by computer

ALREADY SUCCESSFUL in other parts of Europe, a computer driven system for sorting parcels, luggage, warehouse goods and factory components is to be marketed in the U.K. by Paterson, Hughes Engineering Company.

Made by Kossan Crispall a/s in Denmark, the system is based on a dumping conveyor and bins in which the conveyor belt is made up of individually activated horizontal slats measuring 200 mm in the direction of travel and 700 mm wide. There can be bins on each side of the belt and each slat can be tilted to either side, under the control of the computer to make items slide

## POLLUTION

### Cuts smoke emission

AS PART of a continuing programme to reduce pollution, the British Steel Corporation is using skid-mounted steam generator boiler plants in what is said to be a new way at its major offices throughout the U.K.

Among the benefits offered is a reduction of time spent by cashiers balancing their tills; greater throughput per cashier; automatic provision of information for currency stock control and general accounting and auditing purposes.

The system is based on the company's own Comet 1908 processor, with a 16K memory, and includes a cartridge tape unit for back-up and postal transmission of data to a central site. It uses the standard Comet terminal, which has a 36-character alphanumeric display with a built-in printer; up to sixteen of which terminals may be connected to one central processor.

This order brings the total of Comet terminals sold to date to over two hundred. Comet plans to use the same basic hardware for a variety of standard, low cost terminals for banking, commercial and industrial applications.

Further details from the company at Ronald Close, Kempston, Bedfordshire, Bedford MK33 5LJ.

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utilities including water and sewage services. CRANE-ALLEY gate and butterfly valves for oil, gas and chemical services.

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

### Leak proof pump unit

MAGNETIC motorised pump units are to provide a maximum flow rate of 420 gals/hr at zero head have been introduced by Totton Electrical Sales, Southampton Road, Cadnam, Southampton, Hants (Cadnam 3138).

The design incorporates a ceramic magnet drive between motor and pump, obviating the use of a shaft seal. It is therefore leak-proof, overcoming a problem often associated with orthodox drive systems through glands.

Apart from the ceramic spindle and drive magnet, all parts of the pump are made from polypropylene, making it suitable for a wide range of applications involving chemicals at temperatures between -20 deg. C and +50 deg. C.

The use of non-toxic materials inside the pump housing allows the unit, designated PGP175, to be used where contamination cannot be tolerated.

### Safer hose for oil

PIONEERS in the development of integral floating hose for single buoy mooring systems, Dunlop has produced a second generation hose designed to reduce the risk of oil spillage occurring from offshore loading and discharge.

There are now some 180 mono-buoy systems in current use around the world, and the need to eliminate any risk of oil spillage is increasingly important.

Called "Safeoil", the hose is a secondary carcass that will contain escaping crude oil in the event of failure of the primary.

In the event of failure of the carcass a warning system will allow the hose to distort so that the outside diameter is increased by at least 35 per cent., giving the terminal operator a visible indication of trouble while still allowing transfer to be completed. The rate of distortion

would indicate the seriousness of the rupture and allow immediate action to be taken before oil spillage occurs.

It is basically an integral floating rubber oil suction and discharge hose, suitable for handling petroleum liquids of aromatic content up to 30 per cent. A synthetic oil resistant rubber lining is reinforced by multiple plies of high tensile textile or rubber, encapsulated wire cord, and incorporates two copper-plated high tensile steel wire helices.

The primary carcass has a nominal working pressure of 235 p.s.i. giving a safety factor of 3:1 built into the minimum burst pressure of 1,350 p.s.i. A buffer of industrial sponge separates the primary and secondary carcasses.

The secondary carcass contains multiple plies of high tensile textile or high tensile wire cord. Designed for a normal operating pressure of 150 p.s.i. it has a safety factor of 3:1 built into the minimum burst pressure of 450 p.s.i. Multiple layers of close uniaxial expanded rubber, giving a minimum reserve buoyancy of 20 per cent. over the entire hose length, make up the flotation medium.

## ELECTRONICS

### Tests board without software

INTENDED FOR assembled printed board testing on an "engineering" rather than a "data processing" basis is 3010A unit put on the market by Fluke International, Garnett Close, Watford WD5 4TF (0933 33066).

To program the unit a key board on a flying lead is plugged in by the test engineer who decides the correct stimulus and response for each input pin of the board, the latter being plugged in via a suitable adapter to the main unit. The basic unit can deal with up to 128 pins and there are over 700 board signals to choose from. In this

way a numerical "signature" is built up for each pin and possible to build up a signature for the board in later diagnosis. The pin signatures are read from the tester's six plastic magnetic card (credit card) which become reference for testing. They are kept for various jobs slotted into the tester to board under test.

The test machine works naturally for each board plugged in with failure by a lamp. The program allows the wrongly re-plugged pin to be found by all pins in groups. Next, a signal is sent to the circuit diagram to the main unit. The basic unit can deal with up to 128 pins and there are over 700 board signals to choose from. In this

## LTV International, N.V.

5% Guaranteed (Subordinated) Debentures Due

(Guaranteed on a Subordinated Basis by and Convertible into and after February 1, 1969 into Common Stock of The LTV Corporation.)

Notice of Adjustment of Conversion Price

NOTICE IS HEREBY GIVEN that the price for conversion of the above-mentioned Debentures into Common Stock of The LTV Corporation was adjusted as of 27, 1975 from \$70.83 to \$69.75 per share of Common Stock.

THE LTV CORPORATION

September 16, 1975

This announcement appears for purposes of record.



\$10,000,000

## Central American Bank

for

## Economic Integration

(Banco Centroamericano de Integración Económica)

8% Tax-Exempt Bonds due 1990

The above transaction was arranged directly by the Central American Bank for Economic Integration with the Venezuelan Investment Fund.

August 28, 1975

Siemens

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Waste material useful

First Day's programme

How to make waste pay

reference in London, May 11-12, will be chaired by L. P. Berry, chairman of British the chairman of the Management Advisory Committee and chairman of the International Alloys of the British group, produces of aluminium last year from reclaimed material.

The second day of the reference will be chaired by D. H. Broadbent, director special projects at the NCB Coal Board.

Subjects covered on day include waste paper, scrap designing, for reuse, multi-packing, reconditioning, and plastic packaging. Speakers will cover management, reconditioning, economic disposal, waste, NCB waste activity, the joint venture with Chrysler UK and Engineers Coventry.

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is always one worse than you. Us.







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TUESDAY, SEPTEMBER 16, 1975

## The thrift season

FOR the third month in succession the official figures for consumer spending show no significant recovery; the volume of buying seems to have stabilised for the time being 5 per cent. below the level in the first half of the year, and more than 6 per cent. below the peak reached in the two winter quarters. The trend has been established before the squeeze on real incomes implied by the present anti-inflation policy has really begun to hurt.

For more than a year now personal savings have been running at far above their historic average, and well above forecast levels. In other countries the same behaviour has been seen, and has persisted in spite of a sharp fall in real income, and all the available evidence suggests that so far, at least, British consumers are showing the same thrifty pattern of behaviour. Not only are retail sales down further than real income has yet fallen, but saving with the building societies remains very high, while borrowing, except from the building societies, has virtually dried up.

## Eroded savings

Various explanations have been offered: a desire to restore the value of savings eroded by inflation, a reluctance to borrow at a time when employment prospects are questionable even in the most sheltered occupations, the disallowance of bank interest charges against tax, and fear of future inflation in the price of everyday necessities. There is probably something in all of them; and it seems only too likely that forecasts based on historic patterns of behaviour have given too little weight to them.

This self-imposed austerity has achieved very much the same economic results which some critics of the Government were warning not long ago from more austere fiscal policies:

## Behind the Liberal ramparts

THE LIBERAL Party Conference which opens at Scarborough tomorrow does not promise to be a very happy affair. The Party Young Liberal wing. It is in no shortage of policies, practice almost impossible to many of them sensible and original, and still commands the support of more than ten per cent. of the voters, if the evidence of the opinion polls is to be believed. Yet there is no denying that the Liberals seem for the moment to have lost their way. They are considerably less popular than they were a year ago and they are deeply divided on what ought to be done either to regain their popularity or to acquire some new ideological momentum which would give promise of better things in the future.

Some of the reasons for this eclipse are no more than the inevitable reaction to forces over which the leaders of no minor party could have any control. A decline from the high point of Liberal fortunes in February of last year was very probable as many discontented Conservatives who had swollen the Liberal ranks at that time returned to the fold. The brief moment when the Liberals genuinely held the balance of Parliamentary power and therefore possessed an unusual initiative and interest has passed. In Scotland and in Wales they have been upstaged by the more extreme Nationalist parties.

## Serious reasons

There are, however, two more serious reasons which can be plausibly brought forward to account for the Party's difficulties. The first is simply bad organisation. The inquiry conducted by Mr. Richard Wainwright into shortcomings at Party Headquarters and elsewhere has resulted in a report so sulphurous, by all preliminary accounts, that when it is released and debated later this week it is hard to imagine that the clamour for reform will not become irresistible.

The trouble about adopting any simple remedy of this kind is that vital questions of balance and power within the Party are involved. The present Executive is predominantly on

the balance of payments has been better than was expected, prices are being restrained by market conditions rather than by official interference, and the growth of the money supply has been moderate. The effect on the Government's accounts, on the other hand, is just the reverse of what a fiscal squeeze would have produced: revenue is depressed, expenditure is up, and the public sector deficit would be likely to come out a good deal larger than the £9bn. Budget estimate even if the cost of public services were now under firm control.

## Paradox

The whole situation leads to the apparent paradox summed up in recent Opposition speeches on the economy, in which demands for economies in the public sector alternate with suggestions for an expanded programme of public works to provide opportunities for the unemployed, especially the new school leavers. In fact, there is a way in which the paradox makes sense. A determined attack on the apparently uncontrolled growth of costs and manning in the basic public services is vital for the restoration of confidence; but an anti-depression programme of retraining would be socially helpful and—given the high level of unemployment benefits—relatively cheap. Since consumers are in so restrained a mood, there is also a case for wondering whether the existing restraints on hire purchase and personal lending by the banks are not a matter of over-severity. But any relaxation on these lines is unlikely until the Chancellor is convinced that inflation is really being brought under control; nor would it be possible, even if he wished, to engineer a recovery before then. Inflation (itself is, after all, the root cause of this deep and persistent recession.

What might be called the right edge of Liberalism and those who are calling most vociferously for change are on the radical, happy affair. The Party Young Liberal wing. It is in no shortage of policies, practice almost impossible to many of them sensible and original, and still commands the support of more than ten per cent. of the voters, if the evidence of the opinion polls is to be believed. Yet there is no denying that the Liberals seem for the moment to have lost their way. They are considerably less popular than they were a year ago and they are deeply divided on what ought to be done either to regain their popularity or to acquire some new ideological momentum which would give promise of better things in the future.

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## SOCIETY TO-DAY

## Questions—and answers—on electoral reform

BY JOE ROGALY

Question: Last week you argued that our democratic process of government decision-making is being worn away. How can we get it back? (A composite of the questions put by several readers in letters published yesterday.)

Answer: Militant democrats should unite. If they are to do so they must find a single cause. People who disagree about many other things—the exact mix in the mixed economy, the pros and cons of income policy, the best approach to moves towards further integration of Western Europe, or whatever—can at least agree that if our electoral system is unfair it should be changed.

Q: But is it unfair?  
A: In February 1974 the Conservatives won nearly a quarter of a million popular votes more than Labour, but Labour won more seats, and so "won" the election. In October the Labour Party attracted even fewer votes than in February (while the Tory vote fell even further), but this was regarded as a "mandate" from the people to carry out Left policies supported by fewer than a fifth of the voters.

This can work both ways: in 1951 Labour won 200,000 more votes than the Conservatives, but it was the Tories who by chance won the most seats that time. However you cut the figures about, there can be little fairness in a system that in October, 1974, needed, on average:

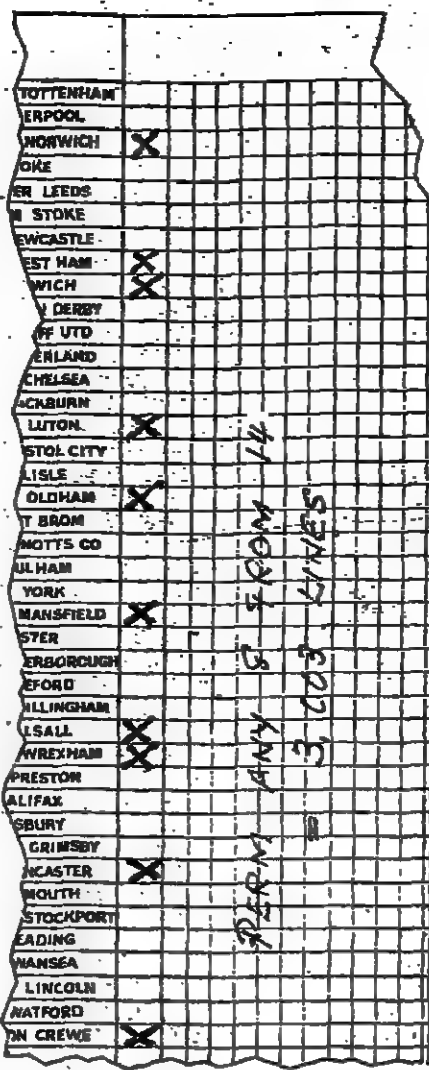
35,915 voters to elect one Labour MP,  
37,771 voters to elect one Tory MP,

40,777 voters to elect one Ulster Unionist MP,  
58,440 voters to elect one Plaid Cymru MP.

78,328 voters to elect one Scottish Nationalist MP,  
and 411,338 voters to elect one Liberal MP.

Q: All right, it is rough justice, but surely it provides strong government?  
A: Was Mr. Edward Heath's Government, the one that was forced into a U-turn half-way through its term of office and then defeated by the miners at the end of it, a "strong government"? Is Mr. Harold Wilson's administration, held in thrall as it is by the trade unions, a "strong government"? If Mrs. Margaret Thatcher won a general election, which is quite likely, would she be any better placed to win acceptance for specifically Tory measures than was the triumphant Mr. Heath of midsummer 1970? Really strong government rests on the broad-based consent of a convincing majority of the people.

Q: Hang on a moment. Did not proportional representation in cause the rise of Hitler in



## SINGLE TRANSFERABLE VOTE

- ☐ T. BLACK NAT. FRONT
- ☒ 1 A. BROWN LABOUR
- ☒ 4 F. GREY SCOTTISH NAT.
- ☒ 3 P. GREEN LIBERAL
- ☐ L. MAGENTA COMM.
- ☒ 5 S. SCARLET IND.
- ☒ 2 H. WHITE CONSERVATIVE

## GERMAN SYSTEM

1st VOTE	2nd VOTE
T. BLACK NAT. FRONT	NAT. FRONT
A. BROWN LABOUR	LABOUR
F. GREY SCOTTISH NAT.	SCOTTISH NAT.
P. GREEN LIBERAL	LIBERAL
L. MAGENTA COMMUNIST	COMMUNIST
S. SCARLET INDEPENDENT	INDEPENDENT
H. WHITE CONSERVATIVE	CONSERVATIVE

QUESTION: Systems of proportional representation are too complicated for British voters to understand, aren't they? ANSWER: Millions of British voters can do complicated football pools (left). They can surely manage, as the Irish have done for half a century, the 1, 2, 3, 4 voting known as the Single Transferable Vote (top right) or—as the West Germans have done since the war—the two-vote mixed system (bottom right).

Germany? Was it not the reason for farcical government in France?

A: These countries have never shared a voting system in common, let alone one that could be given the blanket name "proportional representation." Take them one at a time. In Germany, before World War I, when there was no proportional representation but a single-member system of voting not unlike ours, they had more than 20 parties represented in their Parliament. In the Weimar Republic, which had the most extreme liberal form of proportional representation they could devise, the number of parties moved between 10 and 15. Hitler never won a majority of seats in a fair election (although he probably would have on the British method of vote-counting). After 1945 the new carefully-circumscribed form of German PR has produced one of the most stable governments in Western Europe. The number of parties in the Bundstag is down to three from 11 in 1945; in Britain the number of parties

in Parliament has risen to six. In France they have hardly ever tried proportional representation: the only time they used it without hopelessly bending the rules was in three elections between 1945 and 1946.

Q: Yes, yes, but "proportional representation" is surely just a cranky obsession, something very few people can accept or believe in?

A: If this is so Britain is the only non-cranky country in Western Europe. It is the only member-country of the European Economic Community that uses the horse race system of elections we have. Even in France, where representation is not proportional (unlike just about everywhere else, in Western Europe) they use the second, run-off vote in an effort to minimise the absurdity of sending representatives to their parliament on 40 per cent. or fewer of a constituency's vote.

Q: Well, what about the French system for Britain—or something like it, then?

A: The French system is designed for a French purpose:

name of the candidate they prefer: in Newham, for example, it could be Mr. Reg Prentice standing against the Labour official candidate. On the second vote they mark the party of their choice: in that same Newham election, a Labour voter could then go on to mark "Labour" on the second vote side. Provided the support is there, Mr. Prentice could win in Newham and the Labour Party would be assured of its due proportion of seats in Parliament.

Q: How is this miracle achieved?  
A: Half the seats in the Bundstag go to the constituency members, elected on precisely the same rules as British MPs. The other half are distributed by computer, using party lists, on the basis of rules well understood in Continental Western Europe for more than half a century: the important point is that when the computer has worked out what the fair share of a party's vote should be it subtracts the constituency members already elected from that total. In this way the list-elected MPs serve to make the party proportions exact.

Q: Is this the best system for Britain?

A: Westminster politicians who favour PR often prefer the German system because it could be introduced in such a way that most of them would stand a fair chance of being sent back to the House under the new rules. Also it does keep at least half the constituencies single-member: this is something about which there is a great deal of (unthinking) reverence in Britain.

Q: You seem unsure. What is the alternative?

A: The "Single Transferable Vote" as used in Ireland for half a century, and in Northern Ireland now, and as proposed by the Kilbrandon Commission for the regional assemblies in Scotland and Wales. Voters vote one, two, three, four in multi-member constituencies, which is simple enough.

The counting is complicated: its effect is to produce a set of representatives that most exactly mirrors opinion within the larger constituency. A five-member British constituency might send, say, two Tories, two Socialists and one Liberal to Westminster. The voters would have said very firmly which brand of Tories, Labour politicians, or Liberals they would like. This system favours voters' choices above party.

Q: Where does this leave what you call the "militant democrat"?

A: With a clear line of action—to campaign for electoral reform without being dogmatic about which system—except that a preference for one of the main alternatives (the single transferable vote is tops) should that

## MEN AND MATTERS

## Repatriate Scot for Leyland

Ian MacGregor, despatched to the States by Lord Beaverbrook to see up tank production, is due back to take an important role in the resurrected British Leyland. Head of American Metal Climax Inc. since 1968, he will be a non-executive director of Leyland—and, I gather, could have been chairman.

However, the last was a suggestion that this unassuming 63-year-old Scot had to turn down, in favour of two more years' involvement with Amax, after which he is expected to live in Britain again.

He will, however, be one of the non-executives of the State-controlled British Leyland which superseded the old corporation last month. He has already sat in at meetings of the Leyland Board, which at present consists of the £4750 chief executive Alex Park, four managing directors, and three others, all executives.

survivor of the pre-nationalisation Board. Doubtless Ryder will turn away criticism on going trans-Atlantic to recruit for Leyland by stressing MacGregor's depth of experience in industry generally, and pointing to some early successful operations like the deal earlier this year where by Standard Oil of California bought a 20 per cent. stake in Amax for \$333m.

MacGregor is circumspect about the whole business. The possibility of a Leyland directorship is "not something I want to comment on," he told me from his New York office yesterday.

His first job pre-war was with his father at the British Aluminium Company, though Ian MacGregor was keen on getting a wider view of general engineering as departed to William Beardmore on the Clyde. After his wartime stint with the United States Army Ordnance department, the Leyland-Lease arrangements, Labour's nationalisation of steel persuaded him (somewhat ironically, in view of current developments) to stay in America, going for eight years to the U.S. Automotive Parts Producing Company.

He then joined the Molybdenum minerals group, taken over by Amax in 1937, was a vice-president eight years later, and became president in 1968. MacGregor was in London only last week addressing a conference on the importance of coal to the U.S.'s energy needs, and calling for a Manhattan Project-type effort to triple production before the end of the 1980s. He has a formidable list of directorships outside Amax, including Singer, Bendix and the chairmanship of a body called Religion in American Life. He is on record as describing British workers as "among the world's most capable." It will be interesting,

though, to see how his professional admiration for America's virtues of economic self-sufficiency coincide with the realities at Leyland.



"It's a cry of anguish at being driven from his native land by a vicious tax system!"

## NatWest to East Coast

The National Westminster Bank's announcement that it is to shift the base for its American operations from London to Wall Street is nicely timed, following as it does the Bank of America announcement that it is taking over the lease of Gateway House in the City. The scale is somewhat different since the Bank of America plans to move 750 people into Gateway House. But the new NatWest office gives the bank its first formal management base in the U.S. and will involve shifting 20 families across the Atlantic to New York.

The other big three in the U.K. banking world have been strongly established in U.S. retail banking for some time. Barclays is the front runner with a big California banking business, a branch in Chicago, and a New York banking com-

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Observer

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**BY ELINOR GOODMAN**



# COMPANY NEWS + COMMENT

## BBA Group forecasting £5.5m. profit

ON TURNOVER up 23 per cent to £38.2m, first half pre-tax profit of the BBA Group, makers of friction materials, conveyor belting, asbestos textiles and mechanical handling systems, increased by 12 per cent to £2.71m—compared with the second half of last year profit expanded by 63 per cent on turnover up by only 8 per cent.

And chairman Mr. Michael Pearson says the directors believe second half profits will not be materially different from those of the first. This would give a pre-tax total of some £5.5m. against £4.08m. in 1974, and £4.81m. in 1973.

First half stated earnings per 25p share were 3.88p (5.23p second half 198p). The net interim dividend is 0.88625p against 0.7375p—the 1974 total was 2.4288p.

The results, says Mr. Pearson, strongly confirm the view expressed in his last annual statement that the group has adapted itself well to present conditions. The liquidity position has also improved, with reduced borrowings—an increased interest charge is due to higher rates.

The world-wide recession in the automotive industry still continues and turnover in this field remains below group's capacity, the chairman adds. Profitability, however, has been restored to a level similar to that of the early part of 1974. Progress has continued on the industrial side, which has again contributed more than half total profit. Overseas operations account for 64 per cent of overall profits.

Although economic conditions remain difficult Mr. Pearson sees no reason to expect any deterioration in the group's own overall position in the immediate future. A continuing strike affecting most of the asbestos mines in the Thetford area of Quebec must cause some concern, but in the present supply situation it should not have any significant effect on operations during the remainder of 1975.

First-half	1975	1974
Sales	38,200	31,100
U.K.	17,900	12,700
Overseas	20,300	18,400
Expenses	2,500	2,100
Trading balance	4,300	4,000
Depreciation	1,100	1,100
Interest	100	100
Net interest	100	100
Overseas profit	100	100
Profit before tax	2,710	2,420
Tax	100	100
U.K. tax	100	100
Overseas tax	100	100
Net profit	1,300	1,100
Minority	100	100
Attributable	1,200	1,000
Interim dividend	252,277	243,703

### comment

BBA has been quick to recover ground lost in the second half of 1974: profits for the first six months are 13 per cent higher on a sales gain of 23 per cent. Better demand from Volkswagen and Peugeot has resulted in a return to profitability here, while overseas earnings have been further enhanced by a reduction

COMPANY	Page	Col.	COMPANY	Page	Col.
AGB Research	22	7	Fitzwillton	20	3
Anglo-Thal	21	4	Gibbons (Stanley)	20	7
Appleyard Group	20	4	Grimshawe	27	7
Arcoelectric	21	7	Jentique	21	7
Audio Fidelity	21	3	Key Energy	21	2
BBA Group	20	1	Newey Group	11	5
Berry Wiggins	20	2	Pearles (Bruce)	21	8
Black Arrow	20	6	Rolls-Royce Motors	21	6
Chambers & Fergus	21	3	Telefusion	20	7
Clifford (Charles)	20	8	Trianco	21	3
Crosley Building	21	5	Unicom Inds.	20	5
Douglas (R. M.)	22	8	United Biscuits	21	7
Federated Land	22	4	Whittingham Engrg.	21	8

in low margin—reflecting the poor showing of the Lira—Flat business. Elsewhere the U.K. belting side has held the strong levels seen in the previous half while growth has continued in the U.S. For the second half the profits level should be more or less the same as the first; the overseas trading pattern on the motor product side is little changed but on the belting side there has been a slight fall-off in orders in the U.S. Still, borrowing is about £1m. lower so the 4p rise yesterday to 55p, where the yield is about 7.1 per cent, looks justified.

## Upsurge at Berry Wiggins

REFLECTING THE sustained growth in drilling and other related activities, pre-tax profit of Berry Wiggins and Company, the oil servicing and contracting group, expanded by 43 per cent to £792,000 in the half-year ended June 30, 1975, compared with the first half of 1974.

And with a material drilling contract starting later this year, and full contributions from two others recently under way, the directors say they have "every confidence" that this growth will continue into the future.

Stated earnings in the first half, based on profit after tax, minorities and preference dividends, advanced from 3.06p to 2.45p per 25p share and after adding back the transfer to deferred tax account, improved from 3.06p to 3.38p a share.

The net interim dividend is

again 0.7p. Total dividends of 1.225p net were paid on a taxable profit of £1,260,000 for 1974. Turnover for the period fell from £3.7m. to £3.8m. A book loss arising from the transactions with BP Oil, net of tax, of £110,000 has been met by a transfer from general reserve.

### comment

The changes seen at Berry Wiggins in the last 12 months or, indeed, the last six months, have made most comparisons pretty meaningless. For the record, trading profits are 137 per cent ahead at £831,000, a figure entirely attributable to KCA drilling (acquired last July) as the residual bitumen interests, refining and other oil services had little to contribute. But much reduced interest income, despite the recent £3.2m. BP sales, and associate losses have pruned the pre-tax income to 43 per cent, while at the attributable level the gain is less than a fifth. A full contribution from drilling contracts on the Beryl and Forties fields (worth together perhaps £50m.) and a start on the Sonatrach Algerian contract (value as yet unrevealed) will clearly boost revenues in the second half and outside estimates for the year are in the £1.75-£2m. range pre-tax. A prospective p/e of around 10 at 55p looks manageable but the capital costs to KMD associate company need to be planned down if faith is to be maintained in last year's balance sheet, which shows net borrowings at less than a fifth of shareholders' funds.

Completion of the building programme has enabled some borrowings to be put on a firmer base. A secured term loan of £750,000 has been arranged with the Bank of Scotland, repayable in 1983 or earlier at the Group's option.

	1975	1974
Third party sales	25,790,000	24,533,000
Profit before tax	884,276	522,790
Tax	56,000	272,790
Net profit	248,000	250,000
Minority	6,770	6,770
Attributable	241,230	243,230

Management reshuffle at Fitzwillton

FITZWILTON, the second largest industrial group in the Irish Republic, has announced five senior management appointments which it claims are designed to improve operating efficiency and clarify responsibilities within the group.

The appointments are believed to be part of a package deal

between the group and its bankers. In the past two months Fitzwillton has sold off £5m. of assets to reduce borrowings to £20m. A nominee of the Bank of Ireland, Mr. M. Dargan, is to take over shortly as chairman in place of Sir Basil Goulding.

The new chief executive Mr. J. S. McCarthy, at present head of the construction division will be responsible to the group's policy committee.

Other appointments are Mr. R. Mollard as finance director; Mr. J. Good as administration director; Mr. N. O'Donnell as operations director and Mr. C. Turner as chief executive of the construction division.

## Appleyard marginally down

THE extremely competitive conditions in the car market have resulted in a marginal drop in pre-tax profit of The Appleyard Group of Companies from £322,473 to £305,026 in the first half of 1975, after turning in £322,000 against £319,000 in the first quarter.

Activities other than the sale and service of cars contributed almost exactly the same amount, being about 31 per cent of the half-year total.

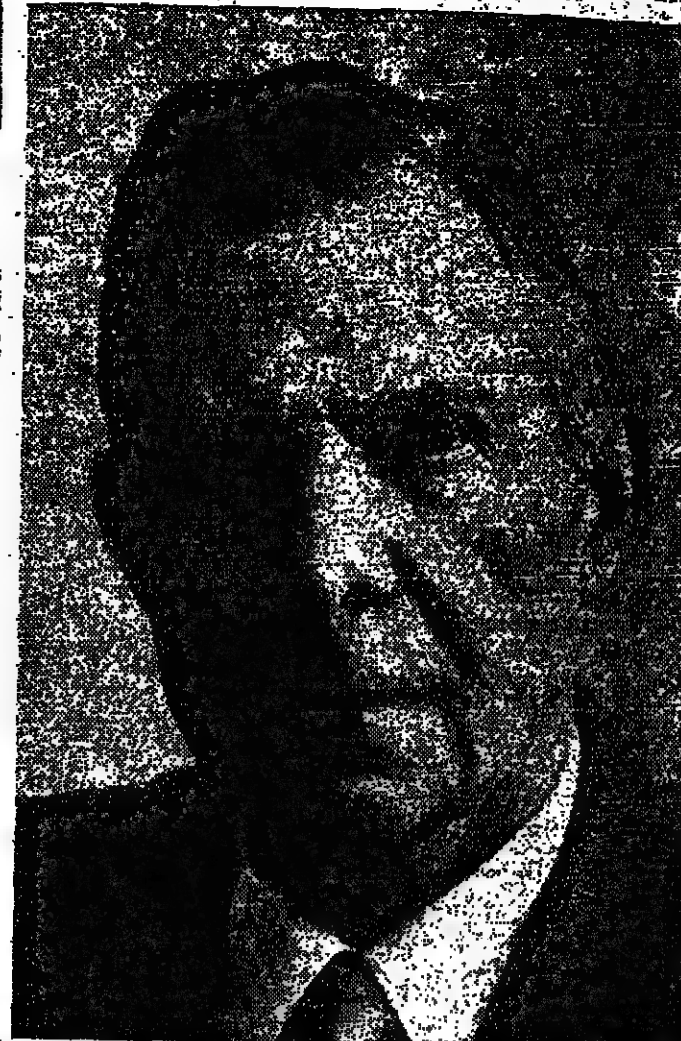
The chairman, Mr. Ian Appleyard, warns of a very difficult period ahead and finds it impossible to forecast the outcome for 1975. For the full year 1974 profits totalled £279,018.

The interim dividend is 1.225p net (same). Last year's total was 3.675p.

	1975	1974
Profit before tax	305,026	322,473
Tax	56,000	272,790
Net profit	248,000	250,000
Minority	6,770	6,770
Attributable	241,230	243,230

### comment

Despite lower new car sales Appleyard Group has held the fall in pre-tax profits to 3 per cent. Basically this is due to the better margins on secondhand car deals and the support offered by a considerable parts and service operation. On the non-car business, commercial vehicle sales held up longer than passenger cars, but a "sparkling" performance from vehicle contract hire compensated for the fall in the former's profits. August car sales have apparently been a company record on the back of the group's own scheme over three weeks of



Mr. J. C. Wilkinson, chairman of Telefusion

## DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corr. of spending	Total for year	Total for year
Appleyard	1.23	Nov. 15	1.23	1.23	1.23
Audio Fidelity	0.87	Oct. 24	0.87	0.87	0.87
Berry Wiggins	0.79	Nov. 8	0.79	0.79	0.79
Black Arrow	0.25	Dec. 1	0.46	1.45	1.45
Chambers & Fergus	0.25	Oct. 15	1.75	1.75	1.75
Charles Clifford	1.76	Nov. 22	0.31	0.31	0.31
Crosley Bldg. Frds. Int.	0.41	Nov. 4	1.1	1.1	1.1
Dumpton (Thnt.) Grydes	0.41	Dec. 8	0.27	0.48	0.48
Federated Land	0.41	Nov. 20	0.45	0.45	0.45
Stanley Gibbons	0.41	Nov. 31	0.47	0.47	0.47
Jentique	0.41	Dec. 12	1.6	1.6	1.6
Rolls-Royce Motors	0.41	Jan. 6	1.18	1.18	1.18
Telefusion	0.41	Jan. 6	1.18	1.18	1.18
Unicom Inds.	0.41	Jan. 6	1.18	1.18	1.18
United Biscuits	0.41	Jan. 6	1.18	1.18	1.18
Dividends shown pence per share net except where otherwise stated.					
For scrip issue. (a) For 8 months.					

Increased by rights and/or acquisition issues. (a) For 8 months.

offering interest-free HP credit over two years, concurrent with British Leyland's own "Superdeal". This also gave the added benefit of pushing up turnover and breaking through "Superdeal" target levels thus maximising the potential cash returns from BL. However, with foreign cars currently making all the running Appleyard's commitment to BL is unlikely to enhance its ratings. A dividend yield of 18.4 per cent at 55p (down from 18.2 per cent already covered by interim profits) is double the sector's average.

## 13% first half drop at Unicorn

ALTHOUGH external sales of Unicorn Industries have advanced 40 per cent to £22.35m. in the first half of 1975, profits fell 13 per cent to £1.81m. The company makes grinding wheels, abrasive grain, diamond drilling equipment, etc.

Chairman Mr. Brian Bell-Greene explains that all principal markets have been in recession, with volume of demand averaging a quarter less than last year; and trading margin on external sales fell from 12.1 per cent to 9 per cent. There has been no profit contribution from the recent acquisition in America, where the recession has been extremely severe.

Redundancy costs of £29,000 have been deducted from revenue, whereas previously they had been taken below the line at the year end. Interest charges were £283,000 higher than in 1974.

The sales increase reflects maintenance of market share in the face of a healthy turnover base for future growth, and a doubling of overseas companies' sales, of which about half arose from new acquisitions, together with favourable currency movements. Overseas sales, including U.K. exports, now represent 60 per cent of the group total.

There were over 200 redundancies, while share price has been worked in most U.K. locations in consequence stocks have been reduced, and most operations have returned to working normal time, but continuing drop in this will depend on the level of orders in the post-holiday period.

Cash management has been improved, and the rate of increase in working capital caused by inflation has been reduced. Proceeds of the recent rights issue will bring a reduction in interest charges during the second half.

	1975	1974
External sales	22,350	15,900
Trading profit	1,810	2,060
Associates	208	191
Interest paid	10	11
Redundancy cost	29	29
Loan, etc. interest	1,558	1,857
Profit before tax	61	194
Taxation	160	110
Outside interests	363	405
Earnings	4	13
Profit dividend	4	13
Ordinary	20	20

Earnings per 25p share are shown at 6.5p (9.1p) actual and 6.5p (8.5p) fully diluted. The net interim dividend is again 1.5p, total for 1974 was 4.15p.

### comment

A steep drop in volume combined with an 80 per cent jump in first-half interest charges has put Unicorn Industries on course for a fairly significant drop in its annual pre-tax profits. Demand has remained at a low ebb so far in the current six months with all order books now running at lower levels than in the corresponding period. The group is trying to ease the rate of downturn by reducing borrowings; some of its short-term debt has recently been funded and after taking in £2.5m. from the recent rights issue, total net borrowings now stand at around £5m. compared with £10.1m. in the last balance sheet. However, the group will still find it difficult to ease the rate of decline in the second six months, particularly since the BSC, its major U.K. customer, is now being hit by industrial action. At 32p the shares are yielding 12.6 per cent.

## Better second half at Telefusion

AFTER being down by nearly 20 per cent. at the interim stage, pre-tax profit of Telefusion fell by 9 per cent from £3,594,000 to £3,247,000 in the 52 weeks to May 3, 1975, compared with the previous year. At half-way, Chairman Mr. J. C. Wilkinson said second-half profit was expected to be greater than that of the first.

Trading profit advanced by 16 per cent over the previous year. The pre-tax profit fall is mainly attributed to high interest payments and exceptional stock reserves by manufacturing subsidiaries.

Net earnings per 5p Ordinary share are shown at 3.2p against 4.00p. A maximum permitted final dividend of 0.467438p lifts the net total from 0.822565p to 0.974383p, equal to a gross rate of 29.31 (26.64 per cent) and covered 3.54 (4.06 times).

The directors report that the financial strength of the group has improved as a result of a £7m. surplus in liquid funds produced during the year and an increase of £2.5m. in net cash employed. Cash flow of over £3m. is considered adequate to meet anticipated investment requirements.

Net rental investment at cost stood at a record level of £36.3m. at year-end, which is over 20 per cent increase per branch compared with the previous year-end position.

After a slow start to the new year current net rental and retail business is returning to the more normal levels of a year ago, the directors say. The outcome of the year will depend on general economic circumstances, although the group's financial strength will continue to improve and we are well placed to take advantage of any profitable growth opportunities that may arise," they add.

	1975	1974
Trading profit	3,247,000	3,594,000
Investment income	1,200,000	1,200,000
Int. relief and received	1,200,000	1,200,000
Associates profit	1,200,000	1,200,000
Depreciation	1,200,000	1,200,000
Directors and audit	1,200,000	1,200,000
Interest paid	1,200,000	1,200,000
Loan, etc. interest	1,200,000	1,200,000
Profit before tax	1,200,000	1,200,000
Taxation	1,200,000	1,200,000
Outside interests	1,200,000	1,200,000
Earnings	1,200,000	1,200,000
Profit dividend	1,200,000	1,200,000
Ordinary	1,200,000	1,200,000

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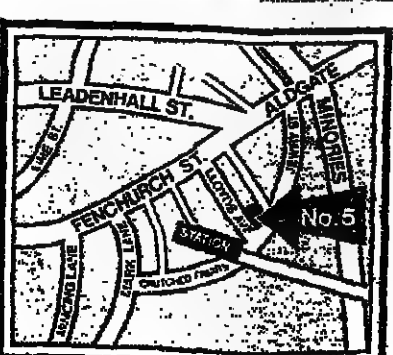
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# Utd. Biscuits gets U.S. boost and passes £8m.

**FOLLOWING** the May report that a first quarter had shown substantial improvement, United Biscuits (Holdings) now announces a sales growth of 9.10m. to £14.6m. and profits of £1.1m. to £1.2m. in the 28 weeks ended July 12.

And for the current period results should show a "satisfactory improvement" over the second half of last year when profits reached £1.4m. although they did not match the first half profit of £1.5m. The chairman, Mr. J. Laine, says:

Results have broken all previous records, even allowing for inflation effects, and a substantial part of this increase has come from the U.S. market. While there is no doubt that the price reductions, volume is a key factor and profitability will remain excellent."

The U.K. also showed significant improvement in conditions, strong competition and declining volume in biscuits and cakes, and raw materials prices do not rise beyond present forecasts. K. results should be satisfactory, the chairman says.

Cash raised by the May rights issue from £1.1m. to £1.4m. on Dutch biscuit interests, together with a strong cash flow in trading, has strengthened considerably the group's financial position.

Earnings per 25p share for the 12 months ended 27p to 4.4p, forecast, and with Treasury 1975, the interim dividend is set from 1.15p to 1.41p on higher capital, and a final of similar rate will be recommended (1.075p).

Seabair contributed £78m. (£41m.) to sales and £4.68m. (£3.1m.) to profits before interest; interest charges were £205,000 (£95,000). In 1974, its results were included on the basis of a per cent interest from January to April 24, and 100 per cent thereafter.

The group interest charges added £1.03m. (£0.65m.) on position borrowing for Seabair, Mr. Laine says severe problems.

continue in the Spanish subsidiary, where the trading loss was £750,000 for the half year. He is hopeful that actions taken will begin to show through before the year-end, but it is an uphill struggle "to get back to profitability."

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As known, turnover was £74.7m. against £68.4m. for the year to March 31, 1975, and pre-tax profit increased from £3.4m. to £3.53m. Dividends are up from an adjusted 1.1652p to 1.256p net.

The net impact of changes of year-end of certain subsidiaries and the sale of 51 per cent of Timuran Holdings Berhad, the newly-formed company into which the group's Malaysian interests were transferred, leaving 49 per cent in the accounts — was to increase the profit after tax by about £430,000.

In most areas the upsurge in purchasing power overseas continued for the greater part of the year. However, towards the end, inflation and its consequent impact on world trade began to take its toll on some operations, the chairman says.

The acquisition for cash of Grantham Motor Company, which holds Ford franchises in Lincolnshire, is "in accordance" with the company's policy of diversification.

The group is an "extremely strong liquid position and is well placed to make further acquisitions." Various possibilities are being explored, he adds.

Following a revaluation of certain properties in Singapore during the year, the directors believe the market value of group freehold and leasehold properties exceeds book value by £2.2m.

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## R-R Motors Holdings midway progress

**FOR THE 34** weeks ended June 14, 1975, profits of Rolls-Royce Motor Holdings, have risen £438,000 to £2.16m. and indications are that the full year could better the £4.5m. achieved in 1974.

A matter of continuing concern, says chairman Mr. L. J. Fraser, is the high rate of U.K. cost inflation compared with that experienced in key overseas markets.

Exports now account for 60 per cent of car output, with deliveries to North America at record levels. The export performance has reduced the proportion of cars available for the home market, where trade remains satisfactory.

The demand for Eagle automotive engines has dropped because of a general falling off in the heavy truck market, but an increasing number of industrial engines is being produced and overall the diesel engine side is ahead of last year.

For the 24 weeks, earnings are shown at 2.97p (2.54p) basic and 2.74p fully diluted. On capital increased by the one-for-seven rights issue the interim dividend is again 1.3p net. Total for 1974 was 3.5p from earnings of 6.51p.

The tax provision, including deferred, has been estimated on the assumption that accumulated losses of Rolls-Royce Ltd. (in voluntary liquidation) will not be available to be carried forward.

Following the rights issue in May, investment plans for 1975 and 1976 have been reviewed. The rate of expansion for both car and diesel engine manufacture has been increased and decisions have been taken to expand factory areas and quicken machine tool modernisation programme.

The Board believes that with these new expansion plans, the company will be well placed to take advantage of any improvement in economic conditions with particular regard to exports.

Results from overseas are expected to show "substantial improvements," especially those of the new subsidiaries in Malaysia, state the directors of Newey Group, smallware manufacturers.

However, they warn in their interim statement that, while sales to the U.S. have increased by 50 per cent, on the same period last year, with the deepening depression and further unemployment, the immediate future in the U.S. seems uncertain.

As reported on September 11 pre-tax profit fell from £414,900 to £31,600 in the first half of 1975, after providing £155,000 for losses on newly formed and acquired subsidiaries. "The directors are waiting for the year-end before considering dividend payment."

William Mallinson and Denay Mott, which two months ago took over North Eastern Timber, has bought C. Metherington (Timber) of Wiston, Cumbria for 306,000.

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## Second half progress by Jentique

**AFTER A** promising start to the second half, profits for that period of Jentique (Holdings) emerged ahead from £284,882 to £282,330, lifting the total for the year ended June 30, 1975, to £565,880—within £64,637 of the record achieved in 1974-75 and £107,858 above the 1973-74 total.

Earnings per 3p Ordinary share for 1974-75 are stated to be up from 1.01p to 1.21p. The dividend is raised from 0.46381p to 0.49245p net, with a final of 0.2813p.

Members are told that the group is in a "very sound" position. Despite unsettled economic conditions, the current year has started well in both trading subsidiaries.

Barring unforeseen circumstances, the company (makers of furniture and clocks) is assured of a satisfactory trading period for the first six months, the directors state.

The year's tax charge was £384,273 (£308,103), leaving the net balance at £318,557 (£267,180).

Makers of electric switches and neon sign lamps, Arcoelectric (Holdings), has made efforts to increase exports and for the half year to April 30, 1975 they show an improvement of 49 per cent, amounting to 30.6 per cent of total sales.

According to the directors in their interim report, cash flow is still satisfactory and they expect "no immediate problems in this direction."

The company continues to improve and expand its range of products and this, coupled with world wide markets, "promises well for the future when national and world conditions improve."

As reported last month, the downward profit trend was reversed in the first half with the pre-tax balance expanding from £71,605 to £103,902, in spite of difficult conditions. Last year's figure was £98,071.

Turnover of Bruce Peebles Industries, a wholly-owned subsidiary of Reyrolle Parsons, increased from £10,040m. to £13.78m. in the first half of 1975 and pre-tax profit almost doubled from £292,000 to £546,000.

The profit includes £173,000 on redemption of debenture stock (other income £82,000) and is after charging interest payable down from £587,000 to £285,000. Tax takes £154,000 (£167,000) leaving £392,000 against £125,000 net.

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### RECENT ISSUES

Stock	High	Low
100 P.F. 1271	1271	1270
100 P.F. 1270	1270	1269
100 P.F. 1269	1269	1268
100 P.F. 1268	1268	1267
100 P.F. 1267	1267	1266
100 P.F. 1266	1266	1265
100 P.F. 1265	1265	1264
100 P.F. 1264	1264	1263
100 P.F. 1263	1263	1262
100 P.F. 1262	1262	1261
100 P.F. 1261	1261	1260
100 P.F. 1260	1260	1259
100 P.F. 1259	1259	1258
100 P.F. 1258	1258	1257
100 P.F. 1257	1257	1256
100 P.F. 1256	1256	1255
100 P.F. 1255	1255	1254
100 P.F. 1254	1254	1253
100 P.F. 1253	1253	1252
100 P.F. 1252	1252	1251
100 P.F. 1251	1251	1250
100 P.F. 1250	1250	1249
100 P.F. 1249	1249	1248
100 P.F. 1248	1248	1247
100 P.F. 1247	1247	1246







## INTERNATIONAL COMPANY NEWS + EURO MARKETS

## British Sidac the main black spot in UCB loss

BY DAVID CURRY

BRUSSELS, Sept. 15.

THE BELGIAN chemical company Union Chimique Belge (UCB) took a sharp tumble in the first half of this year when its pre-tax profits of B.Frs.366m. (\$446m.) earned in the first half of 1974 shrank to B.Frs.135m. (\$168m.).

Parent company sales were down in the half year from B.Frs.4,833m. (\$5,841m.) to B.Frs.4,582m. (\$5,561m.).

Group results were even more depressed, with last year's pre-tax profit of B.Frs.1,031m. (\$1,244m.) slipping to a loss of B.Frs.41m. (\$50m.).

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The main black in the group is still the British Sidac company whose results were first incorporated into the group last year. However, UCB says that it remains confident in the eventual prospects for the British operation, for which it has rationalised its plant. The company is negotiating with the British unions over the reduction of staff levels at its St. Helens works. Italian operations have also been a burden on the group in the half year. Generally, the group has suffered in its cellulose and plastic films sector, an area in which the group has important expansion plans. It notes that the decline in private consumption has badly hurt the plastic packaging divisions, while the chemicals operations have also

suffered, though more patchily. Pharmaceuticals, the third major activity of the group, has been boosted by the successful sales of the drug Nootropil.

While soaring wage costs are also noted by the company as an adverse factor, it points out that recent decisions have been taken to correct what it calls "structures showing decreasing flexibility" — old plants. It is believed that both shutdowns and reorganising of plants is envisaged in an attempt to overcome the difficulties of unprofitable operations with high wage costs.

The Board has postponed the question of the interim dividend to its December meeting but shareholders can certainly expect this year's dividend to be lower than the B.Frs.175 paid in 1974 when the group had a profit of B.Frs.597m. on sales of B.Frs.17,982m. and the parent company's earnings of B.Frs.311m.

## Nederhorst merger study by OGE

By Michael Van Os

AMSTERDAM, Sept. 15.

OGE, the large Dutch diversified trading and industrial group, has agreed to a request by the Dutch Economics Ministry to investigate the possibility of a merger or close co-operation with Nederhorst, the loss-making large Dutch construction group which has recently granted substantial state financial aid to safeguard employment.

A statement from the Economics Ministry in The Hague said that the Minister had asked OGE for preliminary advice on the matter within four weeks, adding that his request followed the recommendation from the Government-appointed observer at Nederhorst.

The observer, Dr. G. Van der Wal, the retired former KLM president, made the specific recommendation in an interim report in which he suggests that the Minister should investigate to what extent Nederhorst's position would be strengthened by a merger or co-operation of part of or the whole of the company with one or more other companies. OGE is mentioned following a number of "informative discussions" and in view of the already existing ties between the two companies.

It was stressed that any co-operation would not necessarily be restricted to OGE and Nederhorst but could also involve other companies.

Nederhorst, which suffered a loss last year of Fls.47m. on sales of Fls.1,344m., of which 41 per cent. was achieved abroad, initiated further, though reduced, losses this year. To overcome its liquidity problems as a result of the downturn in the building industry, some reorganisations and certain non-core activities, the company based in Gouda received major Government assistance.

## Government aid

This consisted of taking up long-term loans via the State-owned Nationale Investeringsbank totalling Fls.30m. while Fls.40m. from the Government. If further liquidity problems arose, the Dutch Government had further indicated that the company could count on credit guarantees totalling Fls.30m. The aid was tied to certain conditions with regard to reorganisation and employment. It was also a condition of the aid that the company should be able to pay back the Government. The aid was also a condition of the aid that the company should be able to pay back the Government.

OGE, which is based in Rotterdam, reported sales last year of Fls.333m. while its losses reached Fls.30.1m. The company has a substantial stake in technical trading activities, through its subsidiary TEV International, while it is also active in building and utilities, as well as in the energy sector. The company has so far this year been in the news through an active anti-cyclical acquisition policy in the domestic building sector.

According to the Dutch Economics Ministry's statement, OGE has agreed to keep the special Ministry-appointed advisory committee "Nederhorst" informed of its progress in the investigation. This committee will advise the Ministers of Economic Affairs, Social Affairs and Financial Affairs about possible solutions as regards the Nederhorst company.

Chairman of the "Nederhorst Committee" is the director-general for industry, at the Economics Ministry, and the other members represent Nederhorst, the Dutch restructuring company, and the third represents the trade union. Dr. Van der Wal, the Government observer is also a member of the committee and the chairman of the state-owned Nationale Investeringsbank will be participating in the consultations.

The Economics Ministry's statement added that no formalisation will be started at Nederhorst during the period of the investigation unless the study shows this was absolutely imperative. If the results of the study did lead to merger discussions between OGE and Nederhorst, all parties will be informed and normal practices under the merger code will then be followed, it is added.

## Japanese sugar refiners calls for help

BY PETER DUMINY

TOKYO, Sept. 15.

JAPAN'S SUGAR refiners are calling for special assistance to bridge the gap between costs of imported raw sugar and the controlled domestic price of their output, which they claim is currently causing them losses of \$40m. a month. Eleven refiners have Stock Exchange listings, and some of these companies are threatened with extinction, according to industry spokesmen.

The problem is largely that last year's soaring sugar prices have ruined Japan's price stabilisation scheme, securities industry sources say. Normally, refiners pay into a stabilisation fund when world prices are low and profits are high, and draw from it when the reverse occurs.

Last year the usually lucrative industry returned record profits on the strength of previously imported raw sugar, which accounts for about 80 per cent. of the industry's raw material. However, refiners failed to store enough calories to withstand the impact of raw material buying at last year's unprecedented levels, which on the whole they have not been able to recoup in prices this year.

Securities industry spokesmen are somewhat about it, however. They point out that sugar producers, like oil refiners, are in financial trouble mainly because of official curbs on their selling prices, and believe the government would be certain to concede higher prices before difficulties became overwhelming.

Meanwhile the government has reportedly refused to rescue the stabilisation scheme by means of a direct loan, but has argued the industry should borrow \$150m. from the banks, with trading company guarantees. While some refiners have close links with trading houses (Mitsui Bussan Kaisha, for example), the government is expected to have to lean on both banks and trading companies to ensure that sugar companies get their money. In the circumstances it can virtually be taken for granted that the relief funds will be forthcoming, but this does not make Japan's sugar industry a recommended investment, according to securities firms. The reason is that, due to both competition and stabilisation measures, sugar has done little to reward investors in the past. Mitsui has not paid a dividend since it was formed by merger of three struggling refiners in 1970. Toyo and Dai Nippon have not paid dividends for the past five years.

The other three with first section listings—Nippon Tensai, Taito and Welji—have done better, but not much. Nippon Tensai is the largest refiner of domestic beet sugar and also derives about 15 per cent. of sales revenue from non-sugar sources, which may account for its above-average performance.

## SAIL out of the red

BY K. K. SHARMA

NEW DELHI, Sept. 15.

THE LARGEST company in India, the Steel Authority of India (SAIL) and its subsidiaries made a net profit of Rs.32m. and a gross profit of Rs.149m. in 1974/75.

It was announced at SAIL's annual general meeting that its profits made a loss of Rs.27m. in the previous year and Rs.174/75 has thus been the first year that it has come out of the red. SAIL's chairman, Wadud Khan said that the total turnover increased to Rs.1,113m. in 1974/75.

Mr. Khan attributed the higher profitability to increased production of saleable steel, pig iron and fertilisers, efficient utilisation of raw materials and reduction in overhead costs.

Payments due from the Tasmanian Government (APPM) Act in repayment of loan interest already paid by the company. The directors make no mention of the prospects for the current year although they recently disclosed that the company was carrying stocks of more than Rs.15m., nearly four times the usual figure. The company will benefit this year from a recently awarded price increase of 7.5 per cent. for its papers.

## Assoc. Pulp profit down 36%

BY JAMES FORTH

SYDNEY, Sept. 15.

THE TASMANIAN paper maker, Associated Pulp and Paper Mills, one of the state's largest employers, suffered a 36.6 per cent. drop in profit for the year to June 30, from \$48,29m. to \$3,052m.

The company was in the news earlier this year when it successfully obtained a grant of \$465,000 from the Federal Government and increased government purchases of paper to prevent large scale sackings at its Tasmanian plant. Despite these measures the company recently warned that it was considering laying off up to 500 of the 800 workers at its Wesley Vale plant, near Devonport, Tasmania. The result for the year will do nothing to ease the situation.

Profits at the halfway mark were only down 9.3 per cent., so that the downturn accelerated in the second half. The company recently laid off 98 employees and asked the Government to boost its paper purchases again if it was to prevent further retrenchment.

Directors said profits from timber activities were good for the whole of the year, but earnings from pulp and paper making were satisfactory only for the first half while the second half was extremely poor.

The latest result is equal to a return of 7.8 per cent. on shareholders' funds compared with 12.5 per cent. for 1973-74. The final dividend is slashed from 6 cents a share to 2 cents, cutting the annual payout from 10 cents to 8 cents.

Illustrating the squeeze on profit margins, the profit decline came against a 6 per cent. lift in sales from \$414.5m. to \$439.5m. Paper sales, accounted for \$411m. (previous year \$412m.), wood chips \$414.5m. (\$414.5m.) and other timber products \$412.9m. (\$411.9m.).

The profit includes \$413,247, which is the first instalment of

## Jamaica Telephone stake acquired by Government

BY OUR OWN CORRESPONDENT

KINGSTON, Sept. 15.

THE JAMAICAN Government has bought the 68 per cent. majority interest of Continental Telephone of the U.S. in the Jamaica Telephone Company (JTC) for \$4,000,000.

The Government previously held a 10 per cent. interest in the local company, and the \$4,000,000 figure represents the book value of the JTC shares held by Continental.

Under the terms of the agreement, payment for the shares will be made in the form of 15-year promissory notes of the Government.

The JTC serves 98,000 telephones for Jamaica's 2m. population, and last year reported revenues of \$4,000,000 and earnings of \$4,000,000. The JTC is also carrying a \$4,000,000 debt.

Trading in the local company's shares on the Jamaica Stock Exchange was suspended in April when negotiations for the takeover started between the Government and Continental.

The Government has already taken over other utilities, such as the Kingston bus system from British Electric Traction, and the country's electricity system from local, U.S. and Canadian interests.

## Singer to sell German mail order house

By Nicholas Colchester

BONN, Sept. 15.

OTTO AG, the major shareholder of the important Otto Versand (Hamburg) mail order business, is to buy 94.5 per cent. of another large German mail order house, Schwab AG, from the troubled Singer Company of New York. The deal is to go through at the beginning of 1976.

Otto Versand had sales last year of DM1.5bn., spread right across West Germany, and says that it made profits in 1974 of the "same order" as the DM48m. after tax that it returned in 1973. Schwab also sends goods nationwide with sales last year of DM400m., but it made a considerable loss in 1974, and stands to make another one in 1975.

In announcing the takeover, Otto today stated that it would attempt to co-ordinate the operations of the two mail order companies which will be under its control. Both companies are still studying the scope for such co-ordination—Otto mentioned the joint use of "technical installations" and joint purchasing as two possibilities.

Otto Versand is owned as to 50 per cent. by the holding company of the Otto family, 25 per cent. by the Westdeutsche Allgemeine Zeitung, an Essen newspaper, 15 per cent. by the Gesellschaft für Handelsbetriebe (connected with General Shopping of Luxembourg) and 10 per cent. by other shareholders. Singer Company of New York is most famous for its sewing machines, but has diversified into a wide number of fields; it is now being forced to disperse with some of them because of its courtship.

No cash value for to-day's deal was announced.

ENHER \$25m. loan details

By Mary Campbell

THE \$25m. note issue by ENHER, IN's power company subsidiary in Catalonia, has now been confirmed. Syndication is nearly complete.

The issue is on the same pattern as previous deals for ESCOM and ISCOR: a long term floating rate note with a lender's option to redeem at a steadily narrowing discount from par after a medium term maturity.

In this particular case, the issue is being sold at 98 1/2 per cent. At the end of the fifth year, a final maturity of fifteen years. Lenders have the option to redeem after four years at 98 1/2 per cent. At the end of the fifth year they can claim repayment at 98 1/2 per cent. and so on.

Lead manager of the loan is Hill Samuel. The proceeds will go towards the borrower's capital expenditure programme in Spain.

## Squeeze on Brown Boveri

BY GUY HAWTHIN

FRANKFURT, Sept. 15.

BROWN BOVERI, the Mannheim-based West German electrical engineering giant, is being squeezed by both turnover and orders in the first half of the current year. Profits, however, were helped by rising personnel and raw materials costs.

In its interim report, the group states that first half turnover rose to M.DM1,580m. This was an increase of 6 per cent. over the previous year. Home turnover went up 3 per cent., while overseas turnover gained 18 per cent. to M.DM300m.

A breakdown of figures, however, shows that growth came mainly in the plant sector where turnover was up by 24 per cent. in the mass production sector it was off by some 13 per cent. for the whole year, the group forecast a nominal turnover increase of 10 per cent. in the plant sector.

Orders in the first half rose faster than turnover, incoming orders totalling DM2,400m.—36 per cent. up on the opening six months of last year. The group commented that the massive increase was due to the growth of overseas orders for plant.

Stripped of the foreign content, incoming orders in the first half rose by 10 per cent. There was also the report, a higher order rate from West German sources in June, but it adds that this was probably due to delayed orders from other industries' expansion, this year a likely explanation.

The Government's investment incentives scheme expired on June 30.

In the mass production sector, however, orders remained very weak. The inflow of orders in this area were some 21 per cent. below the level at the end of the first half of 1974.

Be that as it may, the order book, considerably exceeded turnover and the group order book at the end of the first six months showed a further increase. However, this was not reflected in the mass production sector and throughout the report.

period some 3,100 workers at various factories were hit by short-time working.

Since the end of 1974 the Brown Boveri workforce has declined by 1,300 employees at the half-way stage it stood at 39,300 workers. But pay settlements pushed up personnel costs by around 9.5 per cent. since June 30, 1974.

The group estimated that in 1975 it would reach the same level as in the previous year. In the first phase, reaching would be on rationalisation and supplementary savings measures. On a consolidated basis, capital investment would total about DM180m. for the year.

On the financial front, the report commented that the increase in orders had led to an

increase in advance payments by customers. This, together with the capital increase, meant that sufficient liquid resources were to hand.

Earnings in the first half had been adversely influenced by rising personnel costs and increased prices of materials. At the same time, it was increasingly difficult to pass on cost increases by raising selling prices.

Results had also been badly hit by the under-utilisation of capacity in the mass production sector but it was hoped that these negative factors could be offset by continued cost-saving measures. The wider implementation of such measures would, it was believed, contain the downturn in earnings within reasonable borders.

## Boom at Magirus Deutz

BY GUY HAWTHIN

FRANKFURT, Sept. 15.

ALTHOUGH West German motor car exports are generally in decline, the national commercial vehicle manufacturers have been reporting booming overseas sales. None more so than Magirus-Deutz, the heavy vehicle builders, which in the first eight months of this year has already overtaken last year's turnover figure.

Dr. Heinz W. Hahn, the company's chief executive, aptly summed up the situation by saying that the company's turnover had reached DM1,060m. By the year end, he said, turnover was expected to reach DM1,170m.

Magirus, which is jointly owned by Klockner-Humboldt-Deutz and Fiat, has achieved its growth largely as a result of vastly increased export sales. By the end of the year, demand is forecast to increase by about 40 per cent. while turnover is estimated to rise by about 60 per cent.

The concern has already received an important order this

year for 2,000 lorries from the Soviet Union. Sales have also been booming in the Middle East. Some 4,000 lorries in the first half of the year were bought by Syria, Egypt, Algeria, Libya and, in the Far East, Indonesia.

One of the most spectacular orders placed this year was from the Sudan. Magirus signed a contract to supply the Sudanese with 7,000 lorries, some 1,700 of them to be delivered by the end of 1976.

This was another signal success for the Magirus air-cooled diesel engine, which is capable of working efficiently in extreme climates. The Russians have ordered 9,000 lorries powered with this engine for use in Siberia.

Export growth has come fast. Three years ago, overseas sales totalled only about 4,000 vehicles. In 1974, however, this had risen to 7,000 units worth DM380m. In the current year it is estimated that some 12,000 vehicles will be sold overseas, and export sales are expected to be worth some DM530m.—generating some 30 per cent. of turnover.

## Sharp fall for Gruner and Jahr

BY GUY HAWTHIN

FRANKFURT, Sept. 15.

RUNER AND TAHR, the leading Hamburg-based magazine publishing house, has reported a sharp fall in both turnover and profits for 1974. The downturn is blamed on the poor state of the West German economy.

Turnover last year amounted to DM707m. This followed M700m. in 1973 and DM645m. in 1972. At the same time net profits fell from the previous year's DM35.4m. to DM31.1m.

The publishing house, which publishes such leading magazines as Stern, the women's magazine Brigitte and the business publication Capital, controls some 25 per cent. of the West German general magazine market.

Dr. Manfred Fischer, chief executive of the concern, told a press conference that a large number of factors contributed to the decline. Advertising budgets were cut back, he said. At the same time there had been proportionately over-large cuts in stock. Of the total, 400,000 advertising spots were cut. The balance by American and the balance by American and the balance by American.

increasing competition from new print operation. Included in these must surely be a substantial run-down of the advertising industry. At the same time, advertising restrictions had had a detrimental effect.

The regressive trend in the advertising market appeared to have stabilised in the first half-end of 1974. However, personnel costs were very high. In the year, Dr. Fischer said, "In costs have risen over the same period, and the very healthy and rationalisation and savings measures were being in 1974."

Goldman Sachs has been named to manage a group of underwriters which includes U.S. affiliates of a number of French banks. The offering is expected in late October.

## Air Liquide U.S. offer

FINANCIAL TIMES REPORTER

AIR LIQUIDE has announced the filing by a subsidiary, Liquid Air Corporation, of North America, of a preliminary prospectus covering a proposed public offering in the U.S. of 1,115,000 shares of common stock. The total, 400,000 shares are to be sold by Liquid Air Corporation of North America and the balance by American and the balance by American.

## SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer	CONVERTIBLES	Bid	Offer
Alexis 4 1/2% 1985	86	89	American Express 4 1/2% 87	75	77
Amstar 4 1/2% 1987	86	87	Asahi 3 1/2% 1985	75	77
Amstar 4 1/2% 1989	86	87	Asahi 4 1/2% 1987	75	77
BPCL 4 1/2% 1985	86	87	Asahi 4 1/2% 1989	75	77
BPCL 4 1/2% 1987	86	87	Asahi 4 1/2% 1991	75	77
BPCL 4 1/2% 1989	86	87	Asahi 4 1/2% 1993	75	77
BPCL 4 1/2% 1991	86	87	Asahi 4 1/2% 1995	75	77
BPCL 4 1/2% 1993	86	87	Asahi 4 1/2% 1997	75	77
BPCL 4 1/2% 1995	86	87	Asahi 4 1/2% 1999	75	77
BPCL 4 1/2% 1997	86	87	Asahi 4 1/2% 2001	75	77
BPCL 4 1/2% 1999	86	87	Asahi 4 1/2% 2003	75	77
BPCL 4 1/2% 2001	86	87	Asahi 4 1/2% 2005	75	77
BPCL 4 1/2% 2003	86	87	Asahi 4 1/2% 2007	75	77
BPCL 4 1/2% 2005	86	87	Asahi 4 1/2% 2009	75	77
BPCL 4 1/2% 2007	86	87	Asahi 4 1/2% 2011	75	77
BPCL 4 1/2% 2009	86	87	Asahi 4 1/2% 2013	75	77
BPCL 4 1/2% 2011	86	87	Asahi 4 1/2% 2015	75	77
BPCL 4 1/2% 2013	86	87	Asahi 4 1/2% 2017	75	77
BPCL 4 1/2% 2015	86	87	Asahi 4 1/2% 2019	75	77
BPCL 4 1/2% 2017	86	87	Asahi 4 1/2% 2021	75	77
BPCL 4 1/2% 2019	86	87	Asahi 4 1/2% 2023	75	77
BPCL 4 1/2% 2021	86	87	Asahi 4 1/2% 2025	75	77
BPCL 4 1/2% 2023	86	87	Asahi 4 1/2% 2027	75	77
BPCL 4 1/2% 2025	86	87	Asahi 4 1/2% 2029	75	77
BPCL 4 1/2% 2027	86	87	Asahi 4 1/2% 2031	75	77
BPCL 4 1/2% 2029	86	87	Asahi 4 1/2% 2033	75	77
BPCL 4 1/2% 2031	86	87	Asahi 4 1/2% 2035	75	77
BPCL 4 1/2% 2033	86	87	Asahi 4 1/2% 2037	75	77
BPCL 4 1/2% 2035	86	87	Asahi 4 1/2% 2039	75	77
BPCL 4 1/2% 2037	86	87	Asahi 4 1/2% 2041	75	77
BPCL 4 1/2% 2039	86	87	Asahi 4 1/2% 2043	75	77
BPCL 4 1/2% 2041	86	87	Asahi 4 1/2% 2045	75	77
BPCL 4 1/2% 2043	86	87	Asahi 4 1/2% 2047	75	77
BPCL 4 1/2% 2045	86	87	Asahi 4 1/2% 2049	75	77
BPCL 4 1/2% 2047	86	87	Asahi 4 1/2% 2051	75	77
BPCL 4 1/2% 2049	86	87	Asahi 4 1/2% 2053	75	77
BPCL 4 1/2% 2051	86	87	Asahi 4 1/2% 2055	75	77
BPCL 4 1/2% 2053	86	87	Asahi 4 1/2% 2057	75	77
BPCL 4 1/2% 2055	86	87	Asahi 4 1/2% 2059	75	77
BPCL 4 1/2% 2057	86	87	Asahi 4 1/2% 2061	75	77
BPCL 4 1/2% 2059	86	87	Asahi 4 1/2% 2063	75	77
BPCL 4 1/2% 2061	86	87	Asahi 4 1/2% 2065	75	77
BPCL 4 1/2% 2063	86	87	Asahi 4 1/2% 2067	75	77
BPCL 4 1/2% 2065	86	87	Asahi 4 1/2% 2069	75	77
BPCL 4 1/2% 2067	86	87	Asahi 4 1/2% 2071	75	77
BPCL 4 1/2% 2069	86	87	Asahi 4 1/2% 2073	75	77
BPCL 4 1/2% 2071	86	87	Asahi 4 1/2% 2075	75	77
BPCL 4 1/2% 2073	86	87	Asahi 4 1/2% 2077	75	77
BPCL 4 1/2% 2075	86	87	Asahi 4 1/2% 2079	75	77
BPCL 4 1/2% 2077	86	87	Asahi 4 1/2% 2081	75	77
BPCL 4 1/2% 2079	86	87	Asahi 4 1/2% 2083	75	77
BPCL 4 1/2% 2081	86	87	Asahi 4 1/2% 2085	75	77
BPCL 4 1/2% 2083	86	87	Asahi 4 1/2% 2087	75	77
BPCL 4 1/2% 2085	86	87	Asahi 4 1/2% 2089	75	77
BPCL 4 1/2% 2087	86	87	Asahi 4 1/2% 2091	75	77
BPCL 4 1/2% 2089	86	87	Asahi 4 1/2% 2093	75	77
BPCL 4 1/2% 2091	86	87	Asahi 4 1/2% 2095	75	77
BPCL 4 1/2% 2093	86	87	Asahi 4 1/2% 2097	75	77
BPCL 4 1/2% 2095	86	87	Asahi 4 1/2% 2099	75	77
BPCL 4 1/2% 2097	86	87	Asahi 4 1/2% 2101	75	77
BPCL 4 1/2% 2099	86	87	Asahi 4 1/2% 2103	75	77
BPCL 4 1/2% 2101	86	87	Asahi 4 1/2% 2105	75	77
BPCL 4 1/2% 2103	86	87	Asahi 4 1/2% 2107	75	77
BPCL 4 1/2% 2105	86	87	Asahi 4 1/2% 2109	75	77
BPCL 4 1/2% 2107	86	87	Asahi 4 1/2% 21	75	77



PA

## GOLD MARKET

**NEW YORK, Sept. 15.**

Gold gained  $\frac{1}{8}$  an ounce to close at \$148-148 $\frac{1}{2}$ .

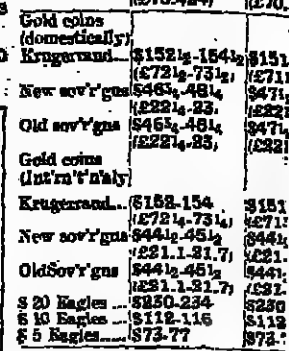
**STERLING**

$\frac{1}{2}$  per cent

AGAINST THE

Weighted Average Change Against Nineteen Parities

The image contains two line graphs. The top graph, titled 'STERLING', shows a line starting at 240 on the left and ending at 230 on the right, with a label '1/2 per cent' above it. The bottom graph, titled 'Weighted Average Change Against Nineteen Parities', shows a line starting at 22 on the left and ending at 20 on the right, with a label 'AGAINST THE' above it.



the possibility of a national strike in the U.K. Sterling's traded at a record low of 2.1010 per sterling against ten units since the Washington agreement (as calculated by the Bank of England) widened to 27.5 per cent. in early December but by noon the rate had improved to 27.4 per cent. It was also at 27.4 per cent. at the close, unchanged from Friday evening. The pound's depreciation on the Morgan Guaranty had narrowed slightly to 23.39 per cent. from 23.50 per cent. at the end of the U.S. summer trading session as the sterling slipped a low point of \$2.1010 to \$2.1020 early on, before

Sept. 16	Frankfurt	New York	Paris
Frankfurt		2.594-50	88.53-50
New York	38.42-45		
Paris	116.75-70.00	41.53-44.00	
Frankfurt			87.75-80
New York	5.482-47	2.1005-05	
Paris	102.93-95	32.635-77	
Frankfurt	103.75-75	2.8977-50	60.75-75

U.S. in Montreal, 72 1/2¢  
Canadian \$ in New York, 21 1/2¢  
Sterling in New York, 27 1/2¢

Sept. 19 1976	Sterling	U.S. Dollar	Others
Three months	78-11	91-88	8
6 months	86-77	91-88	8
9 months	115-106	91-88	8
Three months	104-110	74-74	8
6 months	114-116	74-74	8
One year	117-124	84-84	8

Euro-French deposit rate about 8 1/2%

New York	6	2.10-2.12	2.070-2.17
Montreal	4	1.94-1.96	1.910-1.93
London	4	1.54-1.56	1.510-1.53
Buenos Aires	16	11.40-11.41	11.31
Sao Paulo	16	11.30-11.31	11.21
Frankfurt	4	5.05-5.14	5.01
Madrid	41c	52.00-54.00	51.00
Amsterdam	4	1.70-1.71	1.69
Nairobi	8	4.15-4.16	4.11
Ottawa	41c	11.71-11.72	11.61
Stockholm	4	1.20-1.21	1.19
Stockholm	8	2.20-2.21	2.19
Tokyo	4	3.30-3.31	3.29
Zurich	8	5.67-5.70	5.61

\* Basic discount. \* Rates fixed  
 on London market. Closing rates  
 6.15-6.24

### OTHER MARKETS

Argentina	77.36-77.54	Argentina	77.36-77.54
Buenos Aires	1.038-1.040	Buenos Aires	1.038-1.040
Brazil	17.46-17.57	Brazil	17.46-17.57
Calcutta	1.03-1.05	Calcutta	1.03-1.05
Colon	1.03-1.05	Colon	1.03-1.05
Frankfurt	1.63-1.64	Frankfurt	1.63-1.64
London	1.12-1.14	London	1.12-1.14
Lyons	1.12-1.14	Lyons	1.12-1.14
Manila	1.12-1.14	Manila	1.12-1.14
Medan	1.12-1.14	Medan	1.12-1.14
Perth	1.12-1.14	Perth	1.12-1.14
Rangoon	1.12-1.14	Rangoon	1.12-1.14
Singapore	1.12-1.14	Singapore	1.12-1.14
Sourabaya	1.12-1.14	Sourabaya	1.12-1.14
Tientsin	1.12-1.14	Tientsin	1.12-1.14
Yokohama	1.12-1.14	Yokohama	1.12-1.14

\* Based on rates quoted by  
 the London market. Closing rates  
 6.15-6.24

### FORWARD RATES

	One month	Three
New York 0.40-0.50 cpm	11.78-11.80	11.78-11.80
Montreal 0.40-0.50 cpm	7.10-7.12	7.10-7.12
Amsterdam 0.40 cpm	11.78-11.80	11.78-11.80
London 0.40 cpm	11.78-11.80	11.78-11.80
Paris 0.40 cpm	11.78-11.80	11.78-11.80
Frankfurt 0.40 cpm	11.78-11.80	11.78-11.80
Stockholm 0.40 cpm	11.78-11.80	11.78-11.80
Tokyo 0.40 cpm	11.78-11.80	11.78-11.80
Zurich 0.40 cpm	11.78-11.80	11.78-11.80

Longer-term Eurodollar deposits: two  
cent; four years 8-8 1/2 per cent; five years

deposit: one-month \$15 $\frac{1}{2}$ -\$15 $\frac{3}{4}$  per cent.  
30-day per cent.; one year 34-36 per cent.  
\* Rates are nominal closing rates.  
\* Short-term rates are call for sterling.  
Two days' notice for builders and Swiss.

**MILAN**

Sept. 15	Price Lire	+ or -	Div. Lire	Yld %
Alitalia Priv.....	1,039	-1	-	-
ANIC.....	707	-7	80	8.4
Autovox.....	1,080	-20	130	8.4

## NEW YORK

	1916	1917	1918	1919
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
105	105	105	105	105
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107	107	107	107	107
108	108	108	108	108
109	109	109	109	109
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111	111	111	111	111
112	112	112	112	112
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189	189	189	189	189
190	190	190	190	190

Deutsche	194	10.8	1.4
Deutscher	194	10.8	1.4
Deutscher	194	10.8	1.4

[illegible]

Brbs	1.819	29.126	7.2
Final	1.075.73	7.2	100

[illegible]

Amst. Oil & Gas	10.09	down
Blue Metal Ind	10.88	down

[illegible]

Poigleterrum	2.12
St. Helena	27.27

[illegible]

**BOIL**

**By**



## FINANCIAL TIMES SURVEY

Tuesday September 16 1975

هنا من الأصل

## PAPUA NEW GUINEA

As Papua New Guinea achieves independence to-day, there are still some serious problems to be solved, particularly that of the attempted breakaway of Bougainville. But the country is well prepared for its new status and current policies have a fair chance of succeeding

PAPUA NEW GUINEA to-day as a republic, though within the Commonwealth, and the choice of constitutional monarchy was entirely that of the constitution-makers. The making of the constitution has itself not conformed to recent Commonwealth precedents. In the past 25 years Britain has tended to hand down constitutions, but Australia decided to let the Papua New Guineans make their own, much as Australians themselves had done at the turn of the century.

The new State also scores firsts. Mr. Tom Critchley, to-day leaves Government use for newly-built Australian High Commission offices in Port Moresby, as High Commissioner (not like his predecessors as administrator) 18 months ago. In his view there has never been a more independent dependency than Papua New Guinea in the past year—ring which, among other things, it assumed responsibility for its foreign relations and defence.

A less welcome distinction is that Papua New Guinea is the only country in the world to deal with a secession by copper-rich Bougainville, in the very month of its official birth as a nation. The problems arising from that will be a long and painful process. But they do not kill the celebrations, or in fact, as it is an already important development in nation-building.

When it was announced that Queen would be Head of State, there were protests at the time of Assembly (sitting as a Constituent Assembly) elected in 1973. It was not a decision, and which for a time did not pose on "Papua New Guinea" reveal a preponderance of conservatism by their colonial advisers. The Australians had United Party, now led by Mr. Petai, which had opposed the

Australian policy of early independence, failed to gain an overall majority at the elections and has formed the parliamentary opposition ever since.

Mr. Somare's Pangu Party, on the other hand, campaigned vigorously on an independence platform and has headed a coalition embracing some of the most radical elements in the country's political life.

However, the driving force of

This can be said to have cleared the air. In a sense that is so. However, it is unfortunately also true that the polarisation which occurred in the long and often acrimonious constitutional wrangle is the opposite of what must have been intended when the proceedings were inaugurated.

Making of the constitution has revealed divisions in place of cementing national unity.

legislation. The distinction is that the constitution cannot be changed except by a two-thirds majority of all members of the House of Assembly.

The ultimate decision does seem to have been a victory for good sense and economy. The cost of maintaining the apparatus of regional government being all but beyond the country's means. However,

None of this may seem to suggest a deep, popular or ideological issue. However (and apart from the Bougainville question, which is discussed elsewhere in this survey), the fact remains there are important regional loyalties in a country of 700 languages and limited communications. Centralism will operate under a strain for the foreseeable future. Moreover, the few Leftists, anarchists and

habitants, out of the total population of 2.7m. Here the nationalists were routed, to the extent that all others who have lived in Papua New Guinea for eight years are eligible (they have two months to renounce foreign citizenship).

There are no doubt overtones of racialism, mainly resentment at the Australian and Chinese minorities, which are not completely removed by the ultimate result.

However, this could give the wrong impression. The foreign visitor to Papua New Guinea is immediately struck by the lack of starchiness in the reception accorded him at all levels of community life. The modern sector (so-called by government) is notably free of the hang-ups of many other ex-colonial societies, which is no doubt a tribute to the Australians who shaped it.

**Dedicated**

There are many criticisms of past Australian officials, involving unfavourable comparison with the sometimes brilliant and dedicated officers of Britain's Colonial Service. Maybe this was entirely possible to do without. The transport problem (lack of buses and taxis) is greatly aggravated by Port Moresby's fashionable career choice at any time in the past 70 years.

Probably as a result, the traditional land rights, but in Australia have bequeathed to part has also been deliberate the modern sector several attributes that are obviously better suited to the conditions at home from Konedobu near the sea, (perhaps the most glaring, because it affects the life of every citizen, being that it is as impossible, as in Canberra, to manage without a motor car in Port Moresby—the difference being, of course, that 95 per cent of Papua New Guineans may not be able to afford a car for the next 100 years). Car ownership is in danger of becoming the great dividing line between the haves and have-nots, which is not at all the situation in most of Asia, in which cars are for the most part luxuries it is entirely possible to do without.

Some part of the relaxed

## BASIC STATISTICS

Area	600 islands
Population	179,600 sq. miles
Languages	English, Pidgin, Motu
GDP (1973-74)	K1bn.
Government budget (1974-75)	K325m.
Trade	
Imports (1974-75)	K403m.
Exports (1974-75)	K428m.
Imports from U.K. (1974)	£3.1m.
Exports to U.K. (1974)	£19.3m.
Currency: Kina	£1=K1.65 (equivalent to \$A)

## Rise to nationhood

This Survey was written by PETER DUMINY

radicalism in such situations is invariably nationalism. And in Papua New Guinea nationalism has been the driving force for the past three years continuously had the wind taken out of their sails by an Australian Government determined to rush their country to Statehood at the first opportunity.

But for the fact that the Papua New Guineans dug their heels in—indeed had yet to settle their constitution—the independence celebrations would have taken place last December 1.

Eventually it was the constitutional debate, finally wound up only on August 20, that separated the radicals from those whom they would call the neo-colonialists, and it was firmly among the latter that Mr. Somare was to be found.

This does not seem to make the ideal foundation for independence, though it may be hard to suggest a better one.

It is worth noting the divisive issues, since the last is unlikely to have been heard of them.

Probably the biggest has been the question of decentralisation of power through creation of provincial governments and assemblies. The constituent assembly almost decided to entrench about 20 such regional authorities in the constitution, but finally dropped the idea on Mr. Somare's initiative.

This means, for example, that while provincial administrations can still be set up (and the one that has been established on Bougainville can remain in existence), they can also be abolished by a simple majority in Parliament, like any ordinary

economics was not the basis of the argument on either side.

The main champion of decentralisation was Father John Momis, of Bougainville, a member of the House of Assembly and leading light in the constitution-making.

No doubt he wanted it for the sake of Bougainville and in general because of honest convictions about inherent evils of power (everyone, including political enemies, acknowledges Father Momis to be a man of sanity and morality).

No doubt Mr. Somare rejected it in the heat of the argument with Bougainville, when it seemed the island's demands had escalated beyond local implications as yet unforeseen.

The other battle which was not easily resolved concerned citizenship rights of the approximately 40,000 non-indigenous in-

other ideological critics of Mr. Somare's style of government, together with a somewhat larger number of opportunists, have been eager advocates of splintered authority. Dissatisfaction will smoulder on.

It is ironic that having failed on provincial governments, the anti-authoritarians have succeeded in putting other curbs on the central executive which may in the course of time prove even more effective. For instance, the constitution has provision for watchdog committees which appear to be vested with power to frustrate government, and may therefore be a permanent thorn in its side, with implications as yet unforeseen.

The other battle which was not easily resolved concerned citizenship rights of the approximately 40,000 non-indigenous in-

## BUILDING PAPUA NEW GUINEA TO NATIONHOOD

By the Prime Minister, The Hon. Michael Somare

By good fortune I have travelled to many countries. I have seen teeming cities, massive factories, and the most impressive technological advances. Because of the location of governments, hotels, and airports, often I have tended to see the industrial hearts of nations; I have found these places exciting and full of opportunity, but also I have noticed that they are beset with a mass of problems unknown to Papua New Guinea.

These problems have helped me to envisage the type of society I would like to see built in Papua New Guinea, and which I worked towards whilst I was Chief Minister. I start with the premise that, for the foreseeable future, Papua New Guinea should remain what it is now, primarily a rural country. About nine out of every ten people live in villages, and there is no landless class in Papua New Guinea. I think the village should remain the most important community unit.

This does not mean keeping the village as it is, or re-establishing village life as it was before the coming of the white man. We must change village life for the better, so as to offer opportunity and contentment to every villager. Of course, whether or not a particular change will be seen as an improvement depends on village and individual values, and what one person may see as improvement another may consider disruption. But Papua New Guineans are pragmatic, and a thing will be regarded as an improvement, firstly if it has a practical use, and secondly if it supports or strengthens the village community.

If a tool or a commodity or a service has a clear practical use in assisting the villager's relationship with the environment then it will quickly become an integral part of village life. I would point to such things as the steel axe (a great labour saving device when compared to the stone axe), the aluminium saucepan, cups and plates, the bush knife, the kerosene lantern, the outboard motor in river districts or coastal areas, tinny fish, and aidpost services. Most of these things are substitute tools to perform everyday village tasks, and their utility lies in the time and labour they save. But also by doing this they add to the contentment of village life, and so may preserve or strengthen the village community. We may judge useful any tool, commodity or service which performs similar functions in these changing times.

My Government has already adopted a working model designed to guide Papua New Guineans life towards our objectives. This is the Eight Point Improvement Plan.

- (1) A rapid increase in the proportion of the economy under the control of Papua New Guinea individuals and groups, and in the proportion of personal and property income that goes to Papua New Guineans;
- (2) More equal distribution of economic benefits, including movement toward equalisa-

tion of incomes among people and toward equalisation of services among different areas of the country;

- (3) Decentralisation of economic activity, planning, and government spending, with emphasis on agricultural development, village industry, better internal trade, and more spending channelled through local and area bodies;
- (4) An emphasis on small-scale artisan, service and business activity, relying where possible on typically Papua New Guinean forms of organisation;
- (5) A more self-reliant economy, less dependent for its needs on imported goods and services and better able to meet the needs of its people through local production;
- (6) An increasing capacity for meeting government spending needs from locally raised revenue;
- (7) A rapid increase in the active and equal participation of women in all types of economic and social activity; and
- (8) Government control and involvement in those sectors of the economy where control is necessary to assure the desired kind of development.

The important principles behind this plan are equality, self-reliance and rural development. We are now considering the detailed application of these principles to matters such as health, education, the village economy, transport, local government, and so on, but clearly our programme will be expensive. We will have to improve our internal tax base, increase our credit worthiness for international loans, I hope continue to receive substantial aid from Australia, and attract aid from elsewhere. Australia's recent announcement that she will give at least \$500 million in economic and social aid over the next three years is a tremendous boost to our capacity to make significant progress in village improvement.

At the same time Papua New Guinea sees a need for foreign investment, and although we have a selective foreign investment policy, we want to create conditions which will interest overseas investors in those areas in which their participation would be welcomed. Such investment would naturally benefit both the investors and the country.

Yet I am less worried about funds that I am about the necessary skilled personnel. It is useless having money to build aerial ropeways and the like if there are not enough civil engineers to supervise their construction. Overseas press have in the past uttered dire predictions of calamity in Papua New Guinea, and these are puzzling to people in my country. Perhaps such opinions arise from the feeling of novelty and uncertainty brought on by the change to self government; perhaps they come from the recollection of past events in parts of Africa. I do not think they follow from any

realistic appraisal of Papua New Guinea's actual situation, but whatever the motives of these prophets of doom, my government must try to counter their influence, because we need skilled expatriates, and we want to ensure that those who come enjoy their stay.

Not everything I have mentioned lies in the hopes of the future. Already there has been considerable progress. The proportion of the national income going to Papua New Guineans has increased substantially. More and more expatriate businessmen see the wisdom and the benefit of taking in local equity. More and more of our people and our friends turn to consider the problems of village development. Of course in many cases our decision has been to protect local business: for example, the House of Assembly a year ago passed legislation that restricts coffee buying to Papua New Guineans. This trend of progressively reserving areas of the economy for ourselves will continue.

As well, this year a bigger proportion of the National Income has been allocated to The Rural Improvement Programme. This covers a whole range of village projects, from roads and bridges to aidposts, water wells, and pigeries. The projects are put forward by Local Government Councils in each area, and then become a combined effort—the village people offering free or nominal wage labour, the council using some of its tax money, and the central Government assisting with a subsidy. It is fair to say that almost all demands for feasible projects have been met.

## OUR ATTITUDE TO TWO BROAD AREAS OF POTENTIAL INVESTMENT: NATURAL RESOURCES, AND SECONDARY INDUSTRY

Papua New Guinea is rich in natural resources. We have large deposits of valuable minerals, millions of super feet of commercial timber, potentially valuable oil and gas reserves while rich fishing grounds surround our island. These valuable resources provide the basis for many of our development plans. We will make sure that our resources are exploited in a way that contributes to our own goals and needs.

Our most important basic principle is that these resources belong to the people of Papua New Guinea. It is up to our people, through their government, to choose how and when these resources are to be developed. In some of these industries we already have many Papua New Guineans who can do the work required, but we still need foreign corporations to supply the capital and overall management and marketing knowledge. In other industries, such as mining, oil and gas production, we have few trained people, and we may choose that foreign companies should assist while training our citizens. But we will keep control of the way in which our resources are developed. We also intend to be sure that resource development does not create a small privileged class of Papua New Guineans.

We want the benefits to go to the mass of the people. For this reason, there will be increasing emphasis on taxation of resource projects so that the benefits can be redistributed to the people through Government projects. There will also be increasing emphasis on Government ownership of resource ventures, in partnership with foreign corporations.

I believe we must also ensure that, whenever conditions beyond the control of either the Government or the resource company result in spectacular windfall profits, the lion's share of these profits will be kept within Papua New Guinea. I recognise that foreign companies often take risks in resource development projects, and it is not intended to remove all possibility of profit. But I do believe that foreign companies should be satisfied with a reasonable return on their investments, and should not claim absolute right to gigantic profits that are really produced by the earth and water of Papua New Guinea.

In the field of secondary industry, we want investors who will help us to step up those industries we need to achieve our development aims. For example, we will be seeking manufacturing industries that will process our agricultural products, so that a greater share of their final value can be retained inside Papua New Guinea. We are anxious to become more self-reliant by producing the things we need in our own country. I would, however, point out that there are limits in our desire to attract manufacturing industry, and that we will be looking carefully at the costs and benefits of any proposals. We do not want to create industrial employment for its own sake. My Government has adopted a general policy of incomes stability, but we do not want a reduction in the real standard of living of people in the towns. Similarly, our national eight-point improvement plan calls for a greater equality of incomes, and greater equality of services between the urban and rural areas. We cannot take away from people what they already have. These facts of life, and these policies, do not mean that we are shutting the door on export-oriented, labour-intensive industries. We will welcome any proposals that are realistic to our circumstances. But they do mean that we cannot pursue the kind of development strategy based on very cheap labour along south-east Asian lines which has often been urged upon us.

## PAPUA NEW GUINEAN PRIDE

As I see it most people in Papua New Guinea work hard, live decently, and are proud of our traditions and our way of life. We are ordinary people trying to preserve what is best in our way of life and attempting to solve our own problems. At the same time we have to deal with pressures from the outside world to change our values and traditions. We will absorb these pressures by working out our own solutions to our problems. Government Building, Waigani, P.N.G.



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OUR HEAD OFFICE IS IN PORT MORESBY AND WE  
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GOROKA, KIETA, KUNDIAWA, LAE, MADANG, MOUNT HAGEN,  
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# A message to investors

from the  
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If you're thinking about investing  
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## PAPUA NEW GUINEA II

## Bold approach to economic problems

"THIS COUNTRY has lived Bougainville mine. At first (in 1969-72) this had a major impact on the economy. To get out of this habit on capital formation, and more recently in transforming the functions transferred to the Government, and external balance from chronic deficit to surplus. In 1973-74, the GDP was \$1.5bn. In 1974-75, it was \$1.8bn. In 1975-76, it was \$2.1bn. In 1976-77, it was \$2.4bn. In 1977-78, it was \$2.7bn. In 1978-79, it was \$3.0bn. In 1979-80, it was \$3.3bn. In 1980-81, it was \$3.6bn. In 1981-82, it was \$3.9bn. In 1982-83, it was \$4.2bn. In 1983-84, it was \$4.5bn. In 1984-85, it was \$4.8bn. In 1985-86, it was \$5.1bn. In 1986-87, it was \$5.4bn. In 1987-88, it was \$5.7bn. In 1988-89, it was \$6.0bn. In 1989-90, it was \$6.3bn. In 1990-91, it was \$6.6bn. In 1991-92, it was \$6.9bn. In 1992-93, it was \$7.2bn. In 1993-94, it was \$7.5bn. In 1994-95, it was \$7.8bn. In 1995-96, it was \$8.1bn. In 1996-97, it was \$8.4bn. In 1997-98, it was \$8.7bn. 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# Political reshuffle

PAPUA NEW GUINEA considered an unpredictable life in Papua New Guinea. The opposition United Party had a solid 44 seats after the 1972 elections, in which it campaigned against early independence. Splits in the parliamentary party have since reduced its representation to 33 and 24 (which still leaves it the biggest group in the House of Assembly), led by Mr. Michael Somare, a conservative but effective politician who got the job after the death of Mr. Matthias To Liman.

Mr. Abel's problems have been to relate less to personalities and broad policies than to the weakness of party organisation in Papua New Guinea, which becomes particularly evident when a party is in opposition and the leaders have no patronage to bestow. The biggest breakaway group is the Country Party, led by Mr. Sinake Giregire, which has 11 members in the House.

More recently another group of eight or nine members has shown signs of hiving off, some of its members belonging to the Nationalist Pressure Group (NPG) founded by Father John Momis of Bougainville to serve as a watchdog over a Government accused of being prepared to sell the nation's birthright. The NPG claims that it is open to patriots of all parties.

So much for the situation in Parliament. Outside, and much more widely publicised in the world, there have been secession moves in various parts of the country, including Papua and Bougainville. Of these, only one amounts to anything at present, that being the unilateral declaration of independence by Bougainville and Bougainville (now calling themselves the North Solomons) on September 1.

The implications of all this for national politics cannot be foretold with any certainty. Some people say it would be logical for Mr. Somare and Mr. Abel to join forces before the next elections, and that with or without the support of Mr. Chan, Nugini's daily flight from Port Moresby to Kreta and back again continues to operate. 'Bougainville' (and nearby Bouka) have been politically joined to New Guinea since November 8, 1989, when German New Guinea. However,

Prime Minister and a disagreeable time for foreign investors. But this still seems a very long shot, if only because the radicals (or nationalists) do not have a credible leader in sight, and will meanwhile sorely miss Father Momis, who has presumably withdrawn himself to Bougainville (and even though friends and foes all say he is too honest to be a good politician). Another possibility is that Government will exhaust its energies over Bougainville, dispersing its limited resources of manpower and creating some variety of political vacuum over Bougainville.

Mr. Giregire or Mr. Kaputin as kind of political vacuum over Bougainville.

BOUGAINVILLE's attempt to drop out of Papua New Guinea with effect from September 1 has so far not changed anything very much. It was a bloodless coup as its organisers intended, but it does not seem to have achieved any of their other objectives, aside from a certain amount of swapping of flags.

The actual situation is a difficult one for outsiders to comprehend. In Port Moresby two of Bougainville's elected representatives to the Papua New Guinea House of Assembly will attend to-day's independence celebrations as members of the national cabinet. They are Sir Paul Lapun (mines and energy) and Mr. Donald Mola (health).

Also present will be Papua New Guinea's commissioner of police, Mr. Plus Kerepia, another Bougainvillean. Meanwhile in Bougainville the mine which pays taxes and dividends to Port Moresby is functioning normally. Port Moresby's police (locally not commanded by Bougainvilleans) are continuing to maintain law and order in every respect other than arresting or restraining the secessionist leaders. Air Nugini's daily flight from Port Moresby to Kreta and back again continues to operate.

'Bougainville' (and nearby Bouka) have been politically joined to New Guinea since November 8, 1989, when German New Guinea. However,

the country as a whole. On this view it might even be better to cut ties with Bougainville without further ado.

However that would, politically speaking, open up an even bleaker prospect. A successful secession by so important a segment of Papua New Guinea's economy would inevitably be demoralising at least, and at worst would set up a chain reaction of breakaway attempts in such places as Manus Island, New Britain and even on the "mainland" with its rich variety of cultures and languages.

The appointment of veteran Papuan politician Sir John Guise as first Governor-General is a gesture to the Papuans. Mr. Somare comes from Wewak on the north coast (New Guinea).

On balance there may be positive political advantages in refusing to countenance the secession. It could help to build feelings of national identity and common purpose in the rest of the country. It gives the country's leaders valuable experience in statecraft. Moreover it could put some iron in their souls.

That was the situation on June 13 when a 12-man delegation flew from Kreta to Port Moresby. The Government, which last year drew total revenue of K93.5m. from the mine, was prepared to negotiate. However it turned out the Bougainvilleans had come to ask for K150m, which they said they needed to set themselves up as an independent State.

The Government turned that down flat. And shortly afterwards Mr. Somare took provincial governments out of the constitution (then in the last stages of finalisation), which conceivably guaranteed the secession. The point being made here is that it is not clear to anyone what drove the situation to that pass, but undoubtedly moral judgments came into it as well as local nationalism, while money for its own sake was perhaps a surprisingly minor factor.

Father Momis's personal attitude (which counts) may well have been that Papua New Guinea could have Bougainville's copper riches provided it was also willing to adopt his concepts of utopian government. These went together.

The question is whether all this provides any clue as to what may happen next. Port Moresby is saying that the secession has not happened, that it is still willing to talk to the Bougainville leaders any time they feel

like showing up, but no positive action is necessary as long as the secessionists live up to their promise to avoid violence at all costs. Meanwhile it has cut off the provincial government's funds, while satisfying itself both that revenue will continue to flow to the exchequer from the mine, and that pro-government agencies on Bougainville and Bouka will continue to be supplied with funds.

In the past 15 days the responsibility for this policy of appearing to yield while in fact yielding nothing has been Australia's and the UN's. From to-day the sovereignty threat is Papua New Guinea's but the strategy will be the same.

It therefore appears the ball is in the secessionists' court. Their immediate need is likely to be money, which in all probability they will seek to levy (or borrow) from the mine. The company, through its manager in Port Moresby (Colonel Ken McKenzie), has said it would be impossible to bankroll the separatists since the company's obligations are all to the Government in Port Moresby (however the interim provincial government did get a company donation which was to have been used for to-day's national independence celebrations—obviously it will not be needed for that).

Dr. Sarei was reported to have said on September 1 that the mine would be invited to renegotiate its contracts on more favourable terms, with the breakaway Government. Even without this offer, the mine management would like to remain on good terms with Dr. Sarei. But presumably it cannot run the risk of antagonising Port Moresby, Canberra and probably several other governments by failing to honour its existing commitments in full.

The most likely scenario is that it will regretfully decline to have formal dealings with an administration that does not have international recognition. This appears to be Dr. Sarei's position, despite trips that he, Father Momis, Mr. Hammett and others have made to other countries in the past six weeks.

On that reading, the secessionists have the option to do little or nothing for some time, but eventually they will either tacitly drop their claims or else be forced to take more direct action, such as closing the airport or even the mine. Everyone agrees that they can do either of these things very easily, or though of course they would have to consider the repercussions.

While many of the employees are sympathetic to local not be adopted in a hurry.

## Secessionist threat

the Bougainvilleans, of whom there are now about 100,000, have remained ethnically part of the Solomon Islands, and many still refer disparagingly to their fellow citizens in Papua New Guinea as "Redskins."

It is generally conceded that the majority of Bougainvilleans do not wish to be part of Papua New Guinea to-day. This is a gut feeling on the island. But, and it is a big but, the strength of this feeling is not known, and does not necessarily emerge from the plentiful sayings of the fiery Jesuits who are the acknowledged (though non-elected) community leaders.

Dr. Alexis Sarei, Mr. Leo Hammett and Father John Momis have rejected union on moral and financial grounds, with a good deal of criticism thrown in against Port Moresby for being "deceitful, underhanded" and generally inept.

Until as recently as June it appeared that the leaders were willing to settle for constitutional and financial compromise, arrangements for which were well advanced, even though by then Bougainville's interim provincial assembly (self-appointed) had voted overwhelmingly for secession (without fixing a date).

Father Momis had been tired as vice-chairman of the Constitutional Planning Committee, which had among other things worked out a formula for

constitutional entrenchment of provincial governments (a law to give Bougainville a provincial government was already on its way).

He had incidentally become a national figure. The government had in principle accepted the provincial formula, though it had angered Father Momis and other members of the committee by rejecting some recommendations relating to constitutional checks on the central executive (in fact too many of these to ensure good government may still have got into the final constitution, but that is another story).

Meanwhile a blazing row was in progress over financial matters. Last year the Government voted K3.7m. for Bougainville public works, considerably more than in 1973-74 (K1.36m.) and well above the national average. The province has a land area of 830,000ha, less than 2 per cent of the country, for which the capital works budget (including Bougainville's allocation) was K36.2m. in 1974-75, that is, Bougainville got more than 10 per cent.

More recently the national Parliament awarded Bougainville, as of right, the royalties paid by Bougainville Copper, which last year amounted to K3.5m. (and will vary with world copper prices). However the Bougainvilleans were in a hurry to discover that Port

Moresby proposed to set off royalties against Budget appropriations, instead of adding them on.

That was the situation on June 13 when a 12-man delegation flew from Kreta to Port Moresby. The Government, which last year drew total revenue of K93.5m. from the mine, was prepared to negotiate. However it turned out the Bougainvilleans had come to ask for K150m, which they said they needed to set themselves up as an independent State.

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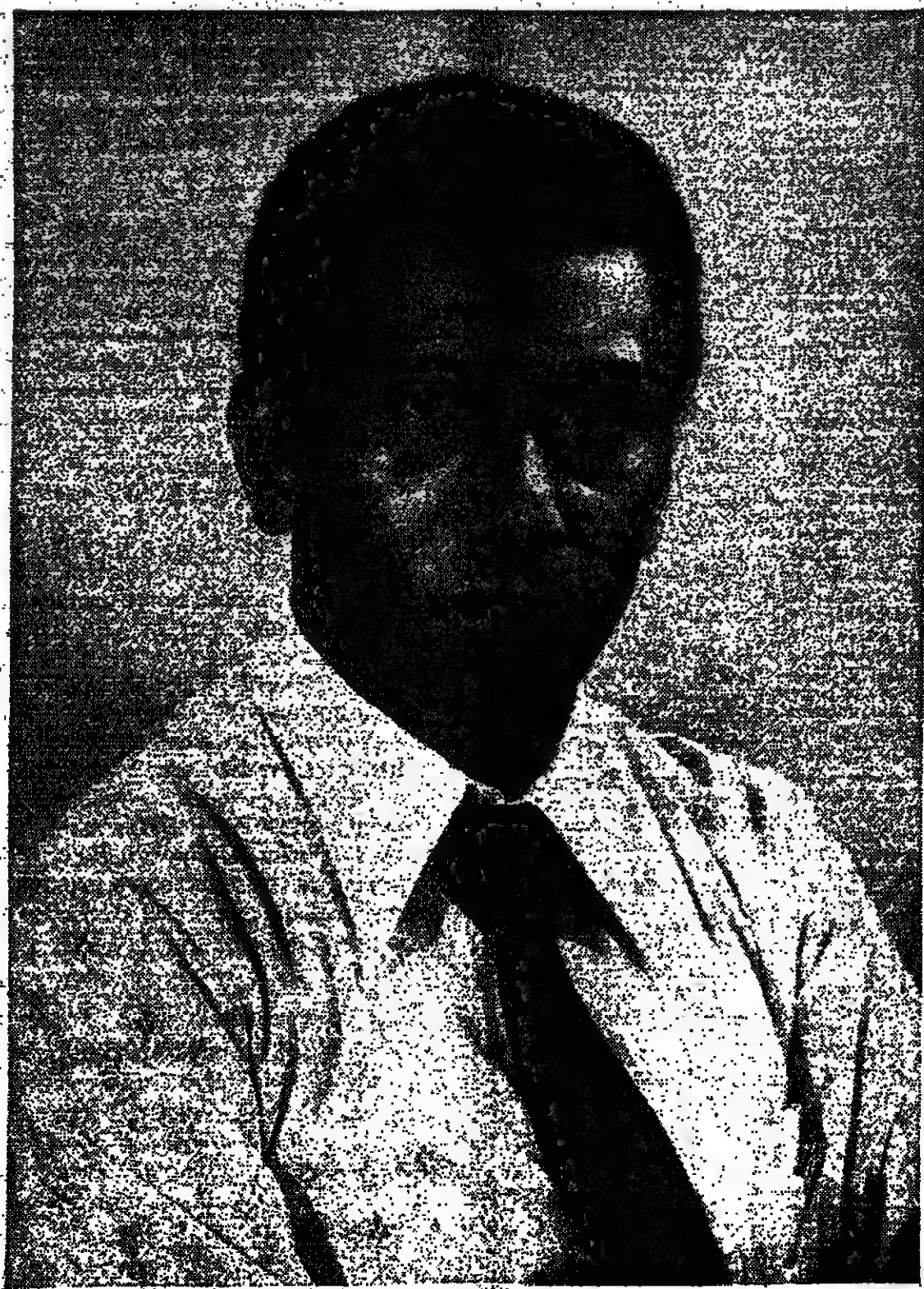
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## MESSAGE FROM THE MINISTER FOR FINANCE



Independence, which occurs only once in a nation's history, is a time for pride but also a time for looking ahead and taking careful stock of future prospects.

We in Papua New Guinea are aware that our economic future depends largely on the intelligent development of our natural resources. At present we are a poor country, and we are emerging as a separate nation at a point when our budget still depends to a considerable extent on outside support.

At the same time we possess a great deal of potential wealth which has hardly begun to be tapped. I refer to such rich natural assets as our forests, our fishing grounds, our mineral deposits, and our abundant sources of cheap hydro-electric power.

Sensibly planned and executed, the development of this potential can enable us to reduce progressively our reliance on external aid. It can provide us with the strong and expanding base of government revenue and export earnings which we need to achieve the aims we have set before ourselves in the Eight Point Improvement Plan.

Our main task in the field of long range economic policy, therefore, is to ensure that Papua New Guinea's resources are developed in such a way as to make the maximum contribution to our national improvement aims.

### Natural resources

In framing its policies towards this objective, the Government starts from the position that natural resources belong to the nation and that their development must yield the greatest possible benefit for the people. Otherwise we would see little justification for exploiting them.

At the same time we are well aware that in order to develop our resource potential at all we need outside capital, skills and markets. The resources are ours, but we lack the wherewithal to turn them into real wealth.

We know that the foreign investors who can provide us with these things require to be confident of obtaining a reasonable return on their outlays before they will agree to become our partners.

This means that, in our discussions with potential foreign partners on the development of major resource projects, we regard it as essential that the terms of access to those resources should satisfy two requirements. They must give the investor adequate assurance of the reasonable return he seeks, and they must ensure that an adequate proportion of any benefits over and above that reasonable return should flow to the people of Papua New Guinea through the Government.

We believe that this approach, focusing specifically on rates of return, is the best way of reaching agreement on financial and tax regimes which will allow the separate interests of Papua New Guinea and its outside partners to be reconciled to the advantage of both sides.

### Growth potential

Under such policies, realistically pursued, I am confident that our economic base can grow very substantially. But the development of major new projects takes several years, and in the meanwhile

we will be taking great care to create and preserve a sound financial environment, without which our longer term policies are unlikely to succeed.

The next few years will therefore be years of restraint. In particular our fiscal and wage policies will be designed in such a way that we live within our means.

Fortunately, we can look forward to a continuation of financial aid from Australia on a substantial scale until we are able to expand our own revenues. The Australian Prime Minister has assured us that Papua New Guinea will have first call on an expanding Australian foreign aid programme until the end of the century. Other Australian political leaders have made it clear that this is a bi-partisan policy.

With that assurance, and with the very large increase in our revenues which we have been able to secure over the past three years, I am sure that we will be able to provide the necessary government services and development funds on an adequate scale, and at the same time live within our means. As Minister for Finance I am determined that we will do just that.

### The Kina

I must mention our new currency, the Kina, which was introduced in April this year. At present it is circulating side by side with the Australian dollar and its value is therefore pegged to that of Australia's currency. But at the end of this year Papua New Guinea will be a separate monetary area and will have full power to pursue its own currency policies.

I made clear at the time the Kina was introduced our intention to ensure that it will be a hard currency which will at least preserve its value in terms of major world currencies.

I am convinced that adherence to the responsible fiscal and other economic policies required to sustain a stable currency is the course which will best serve our own interests, as well as those of our commercial partners. I see no merit in the alternative course of devaluation and consequent inflation, which would require self-defeating attempts to enforce rigid exchange control.

### National unity

Finally, the Government is fully aware that if we are to realise our hopes for the future the first requirements are national unity and political stability.

Papua New Guinea is a very young country made of hundreds of small communities who will be seeking to preserve their own identity. Inevitably there will be divisive forces at work, as there have been in the past, and these will no doubt attract a full measure of outside publicity.

The Government seeks to encourage local initiative, and it is reluctant to lay too heavy a hand on minor regional divergences. Its tolerant, low-keyed approach has already done much to defuse separatist emotions. But its over-riding commitment is to national unity, and in the last analysis it will be obliged to do whatever is necessary to preserve that unity.

JULIUS CHAN C.B.E. M.H.A.  
Minister for Finance  
Government Building, Waigani, P.N.G.



## PAPUA NEW GUINEA IV

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## Bougainville copper

THE EXISTENCE of a large copper mine at Panguna, Bougainville, is not the only reason why the leaders of Bougainville want the island to secede from Papua New Guinea (some others have already been canvassed). Nor is copper the only reason why the national government in Port Moresby wants Bougainville to stay in.

However, there is no gainsaying that Bougainville Copper (BCL) significantly colours attitudes on both sides, and that, no matter how hard the mine's owners and managers try to make themselves invisible, they are unavoidably playing a role in the resolution of the conflict. BCL cannot but loom large. The mine was destined to be big from the moment the Bougainville orebody, a 1bn-ton basin of porphyry copper stretching over 260 hectares and 300 metres deep, was discovered by geologists of the Comstar Rio Tinto of Australia group in 1964.

From financial and technical points of view, the main challenge was the relatively low grade of the ore, averaging 0.48 per cent. copper. This called for a large-scale operation, and thus massive capital outlay. These were forthcoming. When commercial production began in April, 1972, the mine was equipped to handle 80,000 tons of ore a day. Total capital requirements, including K145m. spent on infrastructure, had been K400m., much the largest injection of capital ever experienced by Papua New Guinea.

In the three years from July, 1972 to June 30, 1975, recorded exports from the mine were valued at K674m., 58 per cent. of all foreign trade earnings. From the exchequer's point of view, the mine's direct contribution last year was equivalent to 31 per cent. of the Papua New Guinea Budget.

Whatever the future holds, to date BCL has more than lived up to its promoters' expectations. The construction phase, which included the building of crushing mills, a concentrator, a 26 km pipeline and port handling facilities was completed in 33 months, ahead of schedule. In the next 33 months (to end-1974), the company excavated 150m. tons of earth and rock, milled 81m. tons of ore and produced 491,000 tons of copper (which was shipped in the form of 1.7m. tons of concentrate).

While 1972 was a bad time for copper on world markets, the next two years were exceptionally good, giving aggregate pre-tax profits of K386m. and allowing BCL to pay K165m. in dividends in the first three years. This was vastly more than shareholders had been led to expect when they subscribed equity of K154m. and more than management itself had banked on when it negotiated long-term loans exceeding K275m. (the balance reflected in the books prior to the Australian/Papua New Guinea revaluation in December 1973). This has been reflected in the fact that BCL was soon able to anticipate repayment dates.

These gave the company a tax holiday until April, 1975, but on the credit side the Government had been permitted to subscribe 20 per cent. of the capital (if the cap of the new government was not exceeded), on which it drew dividends of K33m. from the first 33 months of operations. It was also entitled to royalties at the rate of 1.25 per cent. on sales (net of transport and some other costs), thus K7.8m. from K625m. in this period.

However, one consequence of BCL's flying start was that the Papua New Guinea Government, by then in full control of its domestic affairs, decided the original tax terms had been too generous and invited the company to renegotiate.

In the circumstances there was, indeed, not much case for refusing. The result, which was formally approved by BCL shareholders last December, cut short the tax holiday, retroactively to the beginning of 1974, introduced an excess profits tax and modified the depreciation provisions.

The resulting formula, which promptly generated K66.5m. of tax revenue in respect of last year's operations, is considered the blueprint for all future exploitation of Papua New Guinea minerals, and is therefore described more fully in the

article dealing generally with official policy toward capital.

It was an important feat, the cap of the new government that it had succeeded in handling the renegotiation in a way generally satisfied domestic opinion, the international investment fraternity, and company.

So much for the past. It be that 1974 will prove to be represented the peak of fortunes, for reasons unrelated with politics. This year seen copper prices declining, then and Japanese buyers, ing delays in contracted deliveries. No doubt these are too inconveniences, and may will have their upswings, remaining 27 years or so of mine's life.

What promises to be, however, is a decade the grade of ore milled for average of 0.70 and about 1972-74. The company mined relatively high-grade to begin with because it is top. Current results are to show values down to 0.4 per cent., which means less than has been produced even though milling rates may have maintained, or would have, but for the two or three employees rioting in May around the clock, open were disrupted for the first. (Reasons for the disturb have not been established, one possibility is that implementation of government's minimum wage legislation incensed highly paid workers who their differentials being wh down.)

Problems and all, and the managing director, Mr. Vernon (he took over on 17), has plenty. BCL remains valuable property. No that is how it will emerge the present political crisis. However, there is the of getting through it. The pany's attitude is that absolutely bound by its commitments with Papua New Guinea. It has no doubt that the of the Australian Government, opposition and neutral are that it should scrupulously honour these contract addition it considers Bougainville's own long interests are not served by secession.

## Links with Australia

AUSTRALIA'S shortcomings as a colonial power were surely predictable. Like the parent of an unwanted but demanding child, over the past 60 years Australia has vacillated randomly between extreme passivity and giddy generosity. Like a bad parent when Australia dished out money this was not (so it appeared at the receiving end, and indeed to impartial observers in Canberra) to make up for past mistakes, still less because it seemed money well spent, but mainly to impress the parent's friends and neighbours.

Right up to this date of independence, Papua New Guinea's have felt that the Australian Government has not had its heart in what it was doing. The haste to confer independence that began with the return of Labor Party government in 1972 has itself seemed to be dictated less by concern for Papua New Guinea's best interests than by the figure Mr. Whitlam's government wished to put on the world stage.

The final hurt came last month when Canberra presented Port Moresby with a decrease of aid (in real terms, excluding golden handshakes to former Australian personnel, and the way arithmetic is done in Papua New Guinea) with which to launch out on its first year of independence. This strange send-off, which could have harsh repercussions on Papua New Guinea's Budget on September 30, apparently had nothing to do with what Australia judged to be Papua New Guinea's real needs. It was simply the result of a tight-fisted policy in Canberra which was unthinkingly extended to Papua New Guinea in an extreme form.

Independence does not mark the end of close relations between the two countries. They are stuck with each other for the foreseeable future.

From Papua New Guinea's point of view, there is no doubt it will need external aid to provide even the most rudimentary public services for the next ten years at least, and perhaps for much longer.

## Jealous

From Australia's point of view, both pride and self-interest will dictate a jealous watch over developments in Papua New Guinea, if only to ensure that this nearest neighbour does not slip into some new economic or political orbit which Canberra would consider undesirable and in certain circumstances a threat.

New Guinea was handed over to Australia under a League of Nations mandate in 1920; Britain had handed Papua over in 1906. Since then the strategy of the colonial government has mostly been not to prepare Papua New Guinea for self-government. There can be no other explanation of the fact that a country rich in natural resources has remained so economically undeveloped that it is incapable of standing on its own feet financially in 1975. Most of the Australians who knew and loved the country (there were, and are, many) were small-scale entrepreneurs (gold miners, plantation owners, operators of sawmills) going about their business, or else officials on a good financial wicket whose main contribution (not completely unimportant) was to leave the country substantially undisturbed by modern conveniences, including roads.

In the past decade the change has been marked. This has been the phase of active preparation for independence, and at some levels has brought minds closer, particularly where Australians have been directly involved in Papua New Guinea affairs. Mr. Tom Critchley, from today a diplomat with no administrative functions, has been a popular High Commissioner.

The Port Moresby Government is generally happy about its dealings with the Department of Foreign Affairs in Canberra, which have proved

considerably smoother than relations with some Ministers of External Territories who used to have (until the end of 1973) Papua New Guinea as their main departmental responsibility.

In future Australia will represent Papua New Guinea interests where the country does not have its own diplomatic establishments. No problems are foreseen in broadly co-ordinating foreign policies, at least while they are the respective cares of Senator Don Willessee and Sir Maori Kiki.

Areas of potential friction between the two Governments are, on the other hand, all too easy to identify. One is a boundary dispute, arising from the fact that Australia at present starts within a few hundred yards of the Papua New Guinea coast, due to the incorporation of all Torres Strait Islands into Queensland in time gone by.

Papua New Guinea claims Bougainville, both within sight of its shoreline, but cannot be sure of getting them in view of the preferences of the inhabitants and the views of Queensland—even if Canberra wanted to be accommodating.

Money is going to be the more difficult bilateral matter to handle however. This will be in spite of the fact that the Australians will certainly continue to part with large sums, no doubt well in excess of \$A100m. a year. It will also be despite Australia's openhandedness in allowing Papua New Guinea to earmark most of the funds as it sees fit.

The basic reason is that Australia is expected to cut back in real terms in future (though it was not expected to do so this year) which probably means that Papua New Guinea will have to phase out public services (which, ironically, the Australians established). This will inevitably be a painful process.

The only commitment at the moment is that Australia will provide at least \$A350m. in the three years ending June 1977, but there is now a dispute between the governments about inclusion or otherwise of the golden handshakes (if they are excluded Port Moresby will get about \$A200m. next year, but Canberra apparently does the sums differently).

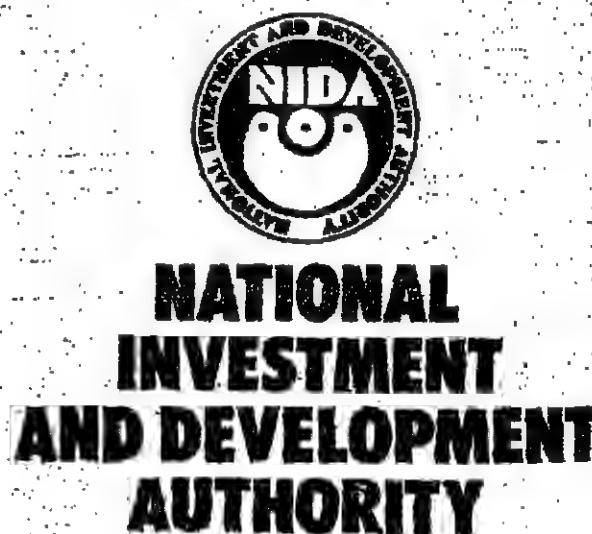
Ideally, Papua New Guinea would like a rolling five-year commitment, adjustable for inflation. The Australians, on the other hand are insisting on annual appropriations, depending on circumstances and requirements. To some extent this is counterproductive, because there is a natural reluctance in Port Moresby to cut out services if, as seems to the Treasury only too likely, any reduction in the government's deficit is immediately seized on in Canberra as an excuse to cut and further.

Of course, the arguments are not all on one side. The Australian Treasury takes the view that Papua New Guinea is supporting services it cannot afford, and should therefore cut back ruthlessly.

This is tough if it means turning children away from schools and failing to provide basic medical services. But the force of the Australian case is that Port Moresby has yet to take the steps available in Canberra, which have proved

decrease its own wealth. It does not seem to do any harm to focus the official mind firmly on that fact.

The other rather large matter is that Australia's responsibility, given to it by the UN, was to hand over a united Papua New Guinea to-day. Everyone is stoutly pretending that this is what is happening, despite recent events on a certain island. Should the future prove that Papua New Guinea is less than fully united, that job will inevitably be an Australian responsibility, and in the circumstances, possibly one with a contractual basis to it.



The Government of Papua New Guinea recognises the need for foreign investment in a number of sectors and industries. The provision of venture capital, technical skills, management expertise and access to overseas markets through the participation of foreign investors is still required in the achievement of national goals. At the same time, however, the Government wishes to ensure that foreign investment is channelled into those industries where it is most needed, and in a form which provides the greatest benefit to the country and its people.

In December 1974, the National Investment and Development Authority (NIDA) was established as the body responsible for co-ordinating all of the Government's relations with foreign investors. NIDA should be the first point of contact for any foreign investor. All investors must seek registration with NIDA prior to initiating activities in Papua New Guinea.

For further information, please write to:—

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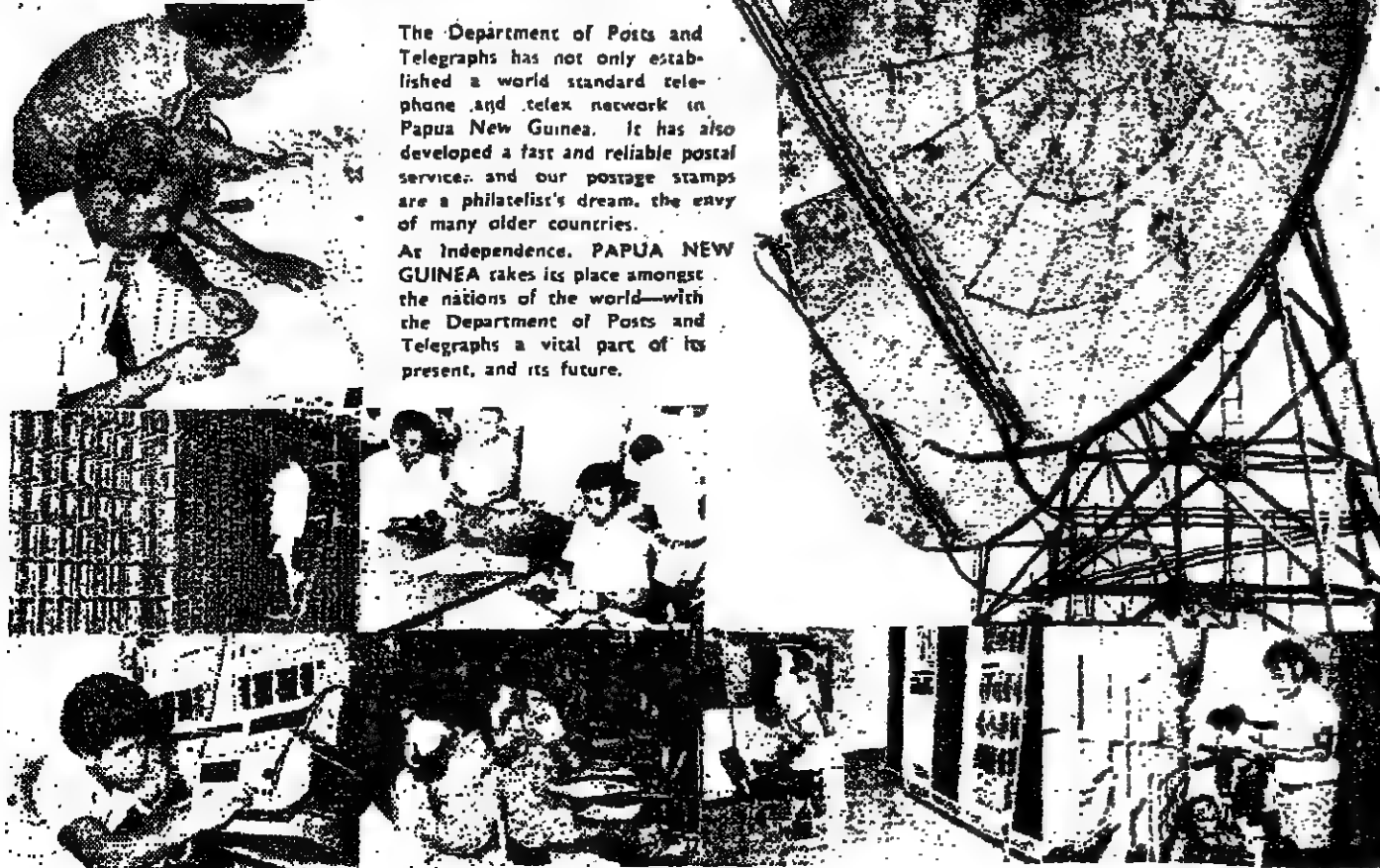
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# A policy for development

THEN a self-governing Papua New Guinea first gave thought to foreign capital, the thought was about how to control it. This PNG was no doubt influenced by the mood of economic nationalism sweeping Australia, and the same fears of foreign investors could not be trusted to declare (and pay taxes on) true profits and in general to behave as loyal and honourable citizens. There was a further complication that investment had come from Australia, the colonial power, that political prejudices reappeared and reinforced the economic ones.

## supervise

A desire to monitor and supervise was recognisably the starting point of the framers of the National Investment and Development Act, passed last November to set up the National Investment and Development Authority (NIDA). However, other forces were also at work and are reflected in the legislation, namely those which had Papua New Guineans themselves have a horrid time materially unless they can continue to attract overseas development capital (having virtually none of their own).

Thus NIDA is an agent of investment promotion as well as of control. It remains to be seen whether these functions can co-exist satisfactorily, as they are intended to do by a number of making it clear some kinds of foreign capital are welcome, though handing out special favours, while deterring foreigners from some activities and generally requiring as much local participation as possible.

Present thinking rests on the

assumption that investors' interests and those of the nation are so strong and complementary in some spheres that investment is bound to be forthcoming and need have no fears about fair treatment.

This underlies the resource development policy. It is assumed that foreigners want the country's minerals, timber and deep sea fish. These are for sale because Papua New Guinea needs the revenue, both from a fiscal and foreign exchange point of view (though mostly the former). Foreign capital that will yield such benefits is therefore keenly sought, not only to exploit the resource but preferably also to create the necessary infrastructure.

Officials explain that there are three basic guidelines governing the terms Papua New Guinea will seek to negotiate. These are (1) that the resources are ultimately owned by the people and therefore that Government wants to be a partner in all big development projects (but only wants enough of the equity to ensure a seat on the board, not so much that it incurs "major management responsibilities"); (2) that the lion's share of any windfall gains would go to the Government; and (3) that the investor must get a fair return, meaning not merely that he will be satisfied, but more particularly that future projects (not necessarily involving the same investors) will materialise.

The corollary is that Government will maximise its revenue, both in the medium and long runs.

This clearly suggests Port Moresby would like a string of mining agreements similar to that negotiated with Bougainville. Copper last year (and in

operation since December 23). The terms of this are, first, that the Government still has 20 per cent of the equity (it sought no more), for which it paid and from which it derived dividends of K14.7m. last year.

Second, there is a royalty payment of 1.25 per cent of sales (K3.5m. last year) which Government has permanently made over to the people of Bougainville. "The payment can be seen as meeting any obligations to reward local groups for the use of the resource," an official statement explains.

Third, the tax formula is designed to ensure that Government gets most of any profits which could be considered abnormally large. Bougainville's direct tax contribution last year was K66.5m, yielded by normal company tax (33.3 per cent) on profits equivalent to a return of 15 per cent on capital invested (K87m. last year), and an excess profits tax of 70 per cent on earnings over and above that level. The exact formula is more complicated, and last year included a concessional rate for six months, but this is the gist of it.

Fourth, the mine's tax holiday was abolished. Fifthly, Government also drew K3.8m. from its 15 per cent dividend withholding tax payable by non-resident shareholders.

Officials stress that the Bougainville renegotiation was a



Prime Minister Michael Somare.

These arrangements are believed to have had the full support of the Papua New Guinea Cabinet by which they are regarded as fair and final settlement (important considering there was a diversity of views, some favouring nationalisation and some not particularly well-informed, when the renegotiation began).

Officials stress that the Bougainville renegotiation was a

vestment become progressively less clear and well-defined as the size of a project and its likely contribution to the national exchequer diminish.

In the case of timber, the World Bank recommended large integrated operations in 1966, and the colonial Government began the work which is leading to opening up of about 2m. hectares of natural forests to commercial exploitation (about 40m. ha. of the country's total land area of 46.5m. ha. is tree-covered, and about 8m. ha. are considered commercially accessible).

Large concessions are definitely preferred to the old saw-mill-type operations, of which there are about 90, mostly small and mostly Australian-owned. However it would not be true to say that the conditions for future projects are completely worked out yet (see next article).

Nida is responsible among other things for helping to compile a national investment priorities schedule, to be updated annually. This exercise will not doubt help to focus the official mind on particular needs and actual results.

The first priorities schedule includes (for foreign investment) such manufacturing activities as fish canning, cement production and all stages of palm oil production (including

oil palm cultivation). A reserved list specifies activities in which additional foreign investment is not wanted (and existing foreign businesses may not expand their operations "beyond normal sales growth" without Government approval).

Among these are cocoa and copra processing (pre-milling), some small-scale manufacturing and retailing and all passenger road transportation.

However, foreign investors who are accustomed to being wooed by duty-free zones, tax holidays and other inducements will not necessarily be impressed. Intending manufacturers will in principle have to comply with 13 conditions from training Papua New Guineans for all levels of employment, to having of some equity to local partners, and providing their own infrastructure if services are not already available.

Also, it is not particularly reassuring to a foreign investor to be given the "guarantee" that he will be allowed to remit earnings and capital "subject to any laws relating to... exchange control."

But it is early days. If existing policies do not bring results, it seems safe to say they will be changed. On all present indications that will mean approved foreign investors can look forward to being

made as welcome someday as they are in Singapore, Mauritius and many other developing countries, and can hope for guarantees of non-discrimination and, in suitable cases, of exemption from any future exchange control.

That would very likely happen when Papua New Guineans realise fully what their needs are. It could be so even if industrial development is to be concentrated in enclaves, so as to preserve traditional ways of life as far as possible. However, enclaves are probably a nonsense, for the very good reason that they do not represent what the people themselves want (and almost every politician will be trying to attract investment to his own area).

The basis has been laid for Papua New Guinea to follow the usual (and often successful) post-colonial route to increases in its national income, driven by the engine of foreign capital, even though the objective is nowhere spelt out in all the plans, aims and guidelines. The alternative is that it may veer round and attempt to squeeze the last drop out of existing generators of wealth, forfeiting any hope of attracting new foreign investment. That would be extremely short-sighted.

## The trading pattern

FOREIGN TRADE looms large in Papua New Guinea, the equivalent of 70 per cent of gross domestic product. Traditionally, more than a possibility, exports predominated, no doubt reflecting the fact that the underdeveloped economy represented a fringe, not the main body of exports at present, so that national life. On the whole, the progress will have to be marked as small for spectacular to make any secondary industries (with exceptions, the main ones being copra and cigarettes) and the aim purpose of imports was to satisfy the wants of the patriate population.

Roughly, they were balanced, the labours of those same sawmilling seems to be the main topic, as producers of gold, value-adding process available in timber and copra, and in the case of the colonial administrators, mining, others as workers of Australia's materials.

The exact trade and payments situation was masked by the currency union with Australia. In a long-term deficit was not more than covered by Australian aid needed to finance the local budgets.

Most of this has changed in the past three years. Copper is transformed the export performance, giving Papua New Guinea its first ever trade surpluses. The composition of exports is dramatically altered. The currency union is being solved.

The direction of external trade is also radically changed on the previous overwhelming dependence on Australia both for supplies and as a market. Japan is now Papua New Guinea's main trading partner, counting for 25 per cent of two-way trade and a larger proportion of exports. Australia comes second with 27 per cent.

Exports, but as a supplier has been declining in absolute as well as relative terms. Britain has also faded, though for a longer period of time, and now appears to have only per cent of the market from a decade ago.

Australia is still much the greatest supplier, followed by Japan (which is catching up), with other up-and-comers are Singapore and Hong Kong. Among buyers of Papua New Guinea produce, West Germany is the other large newcomer; like Japan, it is mainly a customer for copper.

## Adverse

Import figures are given FOB, with no indication of freight and insurance costs, nor has any estimate of invisibles as a whole been published yet. However, it is certain Papua New Guinea has a significant and chronic adverse balance of invisibles account, enough to have meant a deficit on current account in 1974-75 despite the small trade surplus of K25.4m.

The overall balance will be bolstered by Australian aid for several years, and it is hoped long-term feature of Papua New Guinea's external trade, in capital into big development projects.

However, Government is unlikely to feel completely relaxed until the normal rate of her minerals ventures. The increase of imports becomes a thing that could upset this apparent, and proves to be less reduction in the next decade, than the 76 per cent indicated (national figures apart, which are by the preliminary statistics for 1973-74).

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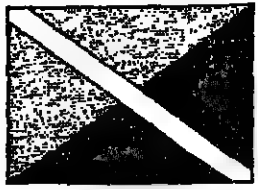
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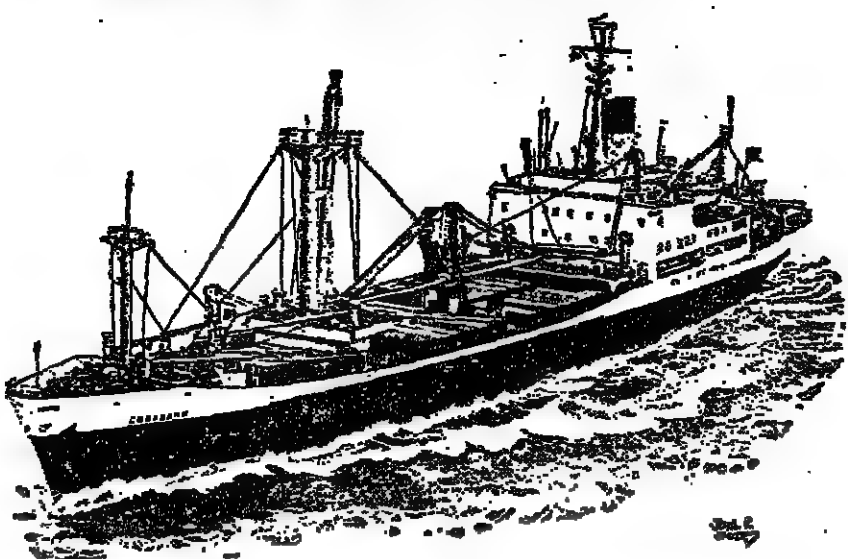
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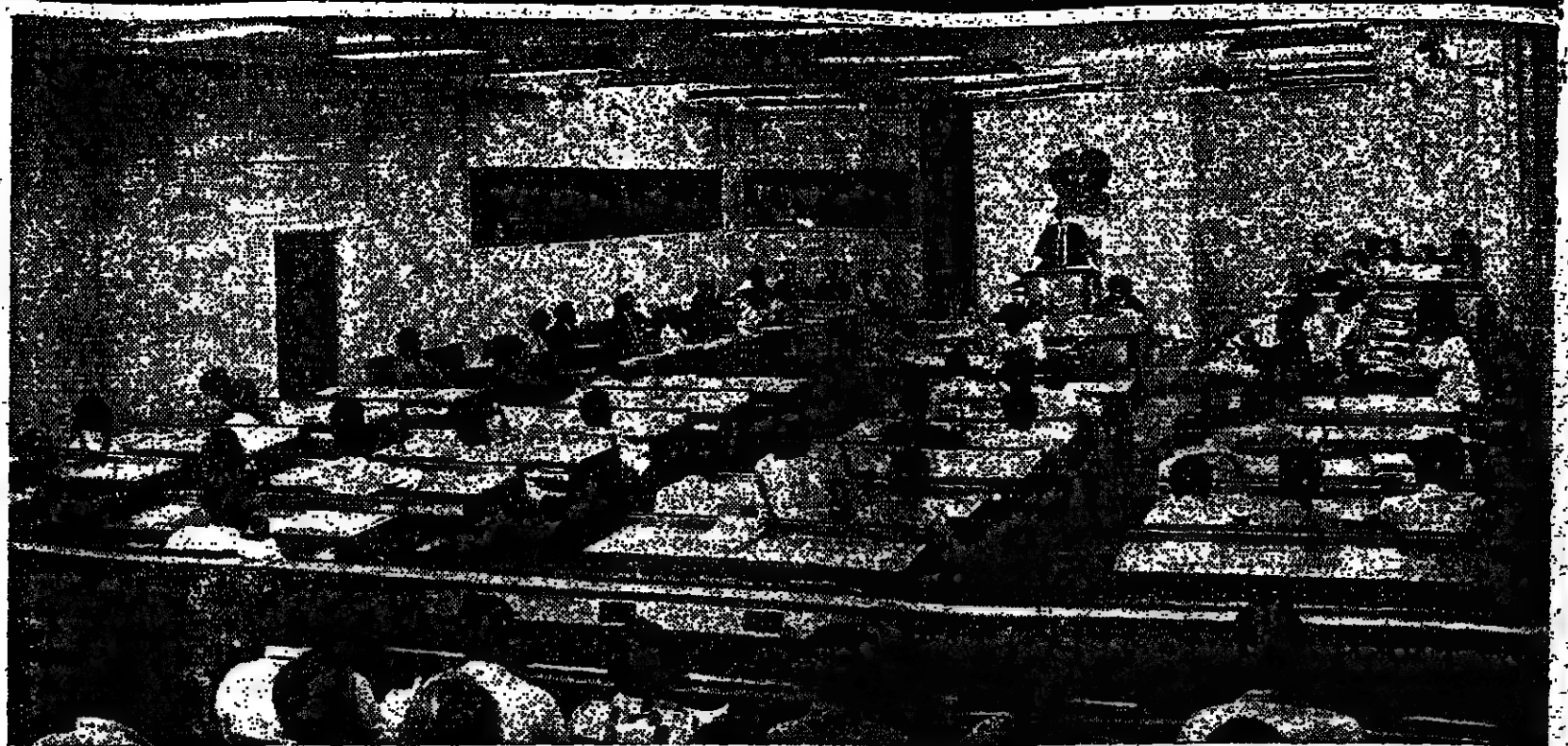
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## PAPUA NEW GUINEA VI



The House of Assembly in session.

# Foreign investment

MOST of Papua New Guinea's minds about investing largely capital stock has come from the criterion of (after tax) Australia, but in future most of profits that ventures look like its foreign capital will probably come from Japan.

Incomparably the largest investment has been the K400m. spent by Bougainville Copper. But this has by no means been the only significant injection of foreign capital in the past decade.

Net foreign investment has exceeded K650m. in the past ten years and been responsible for most additions to economic activity in the private sector.

While no precise figures are available, it is certain that past investment has been overwhelmingly Australian. However, there was a marked change in capital sources in 1972-73, when Australians actually drew K4.5m. more out of the country than they put in, and the year's net inward investment came mainly from Britain, Japan and the U.S.

It seems safe to predict that Australia's relative importance will continue to decline. There are a number of reasons why that should be so, including the fact that many of the expatriates who have left the country (reducing the non-indigenous population by 30 per cent since the 1971 census to today's 37,100) have been Australians. They have tended to take their savings with them.

In addition, Government's promotion of local ownership (and part-ownership) of established businesses has naturally had its greatest impact on Australian investments, which have been the longest. Apart from transfers in the private sector, the State-owned Investment Corporation has in the past three and a half years relieved foreigners of more than K13m. of their equity in something like 30 companies. It has acquired minority stakes, usually leaving control of the corporate activities undisturbed.

Probably more important, Australia generally speaking does not need the reward Papua New Guinea is most willing to give foreign investors, namely, supplies of raw materials and power. This is likely to attract Japan and is no doubt the reason why Japan is widely tipped to be the biggest financial factor in Papua New Guinea's future development. Australian companies seem likely to make up their

statements have a vested interest in making the product appear less valuable; then it really is.

Underground, foreign capital has yielded finds of a number of minerals, but principally copper. Kennecott spent K13m. in the Ok Tedi area, close to the western border, in 1968-71 and established reserves of 250m. tons averaging 0.9 per cent copper. Gold and molybdenum would also be recoverable. However the company dropped out in the past year and the property is now held by the Government (through a vehicle called Ok Tedi Development Company) which is continuing field work and looking for somebody else to take over the major share. The area is the most inaccessible and about K250m. will have to be spent on essential infrastructure.

After three years of talking to Government about mining conditions, Kennecott finally banked at a couple of per cent from which Government would not retreat (including an excess profits tax which both sides apparently agreed would be unlikely ever to be a practical issue).

The question is whether Government tried to drive too hard a bargain? The answer given in

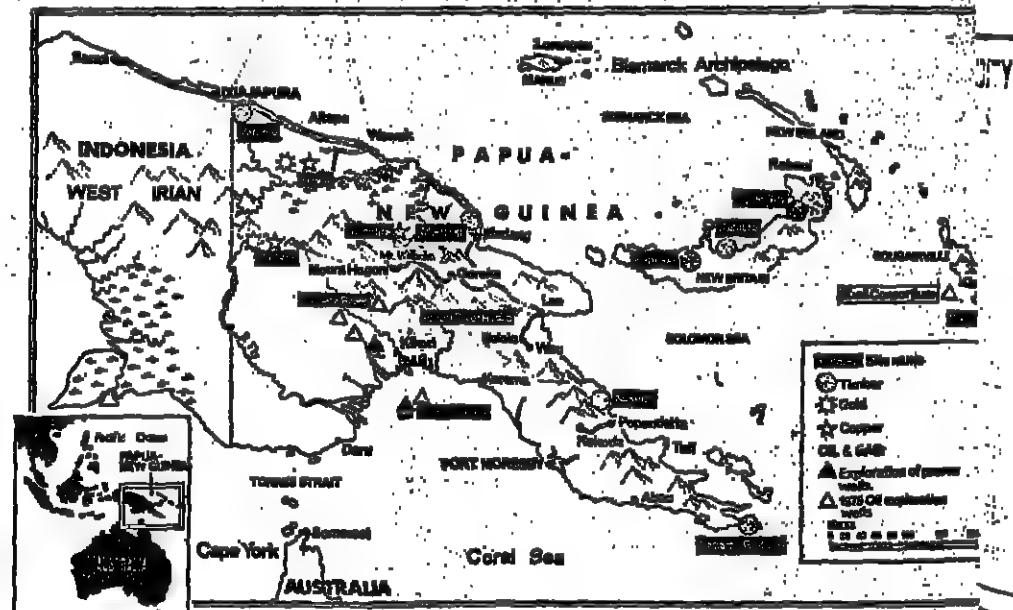
statements involved, a partnership of BHP Marubeni, Nippon Mining and Amdex. Offshore there have also been a variety of gas finds, this time by Japanese, Australian, American and South African groups. (In the last named category, U.S. Steel and Anglo American Corporation). Known mineralisation includes nickel, bauxite and titanium.

Meanwhile oil and gas exploration has been under way for a number of years—and has been sufficiently promising to be attracting new injections of funds.

In the Gulf district a partnership of BP-Mobil Oil search have found 1,000m. cubic feet of natural gas. It is considered that three times these reserves will be needed for a commercial field, which is why a 17-member Japanese consortium has been allowed to drill a minimum of three and possibly

mine wells at a cost of K20m. and in return for between 16 per cent and 40 per cent of the equity (depending on how many wells are sunk).

The Japanese consortium is expected to be completed by September, 1977. The latest developments that the Papua New Guinea and Japanese governments are doing a joint feasibility study which is expected to be completed by September, 1977. The study will be completed by September, 1977. The study will be completed by September, 1977.



Port Moresby is that there was no error of judgment, but rather that Kennecott had special reasons for playing safe (including calls on its capital in the U.S. and a recent traumatic experience in Chile).

It is emphasised that parting was friendly, that Kennecott will receive compensation for the assets taken over, and that Government still wants no more than a maximum 25 per cent stake in the operation.

At least two other copper prospects are in the same vicinity. The one nearest to coming to something is at Frieda River where Mt. Isa Mines has spent K3m., to be joined by Sumitomo Metal Mining with another K5m. (in return for which it is entitled to 40 per cent of the equity). There could be as much as 500m. tons of low-grade porphyry ore, giving hopes of a large mine by 1980.

Prospecting has shown other areas of mineralisation in the Star mountains nearby, but large sums have yet to be expended on exploration.

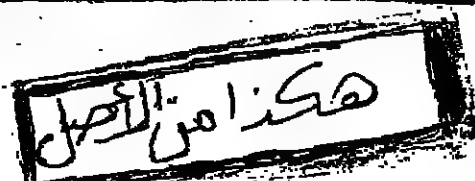
Another prospect, on which about K8m. has so far been spent, is due east at Vanders. Indicated tonnage exceeds 150m. tons and may be economic because transport will be relatively cheap, this site being much closer to the sea than any others. Australian interests are

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## STOCK EXCHANGE REPORT

Equity markets shrug off early bout of uncertainty  
Index up 3.3 at 321.8, after 316.6—Gilts improve

## Account Dealing Dates

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## only a sign of the short-

## term. The Gilt-edged market

## improved. A relatively small

## demand found the market none

## too well supplied with stock and

## its continuation "after-hours"

## brought final gains of 3 in the

## long and 4 in the shorts; the

## upward trend was well main-

## tained later in the evening.

## Steady upward progress was

## made by the investment currency

## premium which closed just over

## two points higher at 94 1/2 per cent.

## Yesterday's 35 conversion factor

## was 0.6295 (0.6333).

## Banks better

## The volume of business was

## small in the big four banks but

## prices closed firmer for choice

## Barclays, 275p, and Midland, 280p,

## both gained 3 as did Lloyds and

## National Westminster to the com-

## mon level of 230p. After easing

## initially to 230p, Bank of Scotland

## came in for some support ahead

## of today's interim results and

## closed a net 2 better at 245p.

## In the way of activity and here

## also the absence of selling owed

## much to a small improvement

## which left the Government

## Securities Index up 0.18 at 61.21.

## Second-hand equities failed to

## show a decided trend but rises

## just had the edge over falls in

## FT-quoted Industrials. The FT

## Acquaries All-Share Index

## hardened to 138.73. Official

## markings of 4.39 compared with

## 4.125 last Friday and 5.04 a week

## ago.

## Funds edge higher

## On the assumption that the

## absence of any selling after

## adverse factors such as Friday's

## August trade returns and the

## increase in U.S. Prime rates could

## be expected to improve the

## position of the fund market,

## the FT fund index rose 0.18

## to 138.73. The FT fund index

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## all put on 6, while Brentnall Beard

## hardened 5 to 60p.

## Breweries closed firmer through-

## out the list after a reasonable

## turnover. Greene King rose 5 to

## 1 to 22p, but Crossley Building

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FT SHARE INFORMATION SERVICE

Table with multiple columns: High, Low, Stock, Price, Div, Yld, etc. Includes sections for BRITISH FUNDS, FRANKS AND HIRE PURCHASE, BUILDING INDUSTRY, DRAPERY AND STORES, ENGINEERING, and more.

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